

BEFORE THE
CITIZENS FINANCIAL ACCOUNTABILITY
OVERSIGHT COMMITTEE
ORGANIZED PURSUANT TO THE
CALIFORNIA STEM CELL RESEARCH AND CURES ACT
REGULAR MEETING

LOCATION: SCAG BOARD ROOM
818 W. 7TH STREET, 12TH FLOOR
LOS ANGELES, CALIFORNIA

DATE: FRIDAY, JANUARY 27, 2012
10:30 A.M.

REPORTER: BETH C. DRAIN, CSR
CSR. NO. 7152

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BARRISTERS' REPORTING SERVICE

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BARRISTERS' REPORTING SERVICE

1 LOS ANGELES, CALIFORNIA; FRIDAY, JANUARY 27, 2012

2 10:30 A.M.

3
4 CHAIRMAN CHIANG: GOOD MORNING. WE WILL
5 CONVENE THE CFAOC. LET ME MAKE CLEAR THAT MEMBERS
6 OF THE PUBLIC WILL BE INVITED TO PROVIDE TESTIMONY
7 AFTER EACH AND EVERY ITEM. PLEASE LIMIT YOUR
8 REMARKS TO THREE MINUTES. PLEASE TURN OFF YOUR CELL
9 PHONES.

10 WE'LL BEGIN WITH ITEM NO. 1, WHICH IS THE
11 PLEDGE OF ALLEGIANCE. MAY I ASK ALL OF YOU TO STAND
12 AND FACE THE FLAG.

13 (THE PLEDGE OF ALLEGIANCE.)

14 CHAIRMAN CHIANG: ITEM NO. 2, WE'LL CALL
15 TO ORDER AND MAKE ROLL CALL.

16 DANIEL BRUNNER.

17 MEMBER BRUNNER: PRESENT.

18 CHAIRMAN CHIANG: DR. JAMES KOVACH.

19 MEMBER KOVACH: PRESENT.

20 CHAIRMAN CHIANG: DR. LOREN LIPSON.

21 MEMBER LIPSON: PRESENT.

22 CHAIRMAN CHIANG: JIM LOTT.

23 MEMBER LOTT: HERE.

24 CHAIRMAN CHIANG: DR. GURBINDER SADANA.

25 MEMBER SADANA: PRESENT.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN CHIANG: VERY GOOD. WE HAVE A
2 MAJORITY AND A QUORUM.

3 WE'LL GO TO OPENING STATEMENT. I WANT TO
4 THANK THE MEMBERS OF THE CITIZENS FINANCIAL
5 ACCOUNTABILITY OVERSIGHT COMMITTEE FOR BEING WITH US
6 TODAY. I KNOW THESE MEETINGS TAKE TIME OUT OF YOUR
7 BUSY SCHEDULE, AND I APPRECIATE YOUR INTEREST AND
8 DEDICATION TO PROTECTING CALIFORNIA'S SIGNIFICANT
9 AND IMPORTANT INVESTMENT IN STEM CELL RESEARCH.

10 I ALSO WANT TO CONGRATULATE AND THANK THE
11 NEW ICOC CHAIRMAN, JONATHAN THOMAS, FOR JOINING US
12 FOR HIS FIRST MEETING WITH CFAOC. THE MEMBERS OF
13 THE COMMITTEE AND I LOOK FORWARD TO WORKING WITH YOU
14 TO ENSURE THE BILLIONS PLEDGED TO EMBRYONIC STEM
15 CELL RESEARCH FUNDED BY THE HARD-EARNED TAXPAYER
16 DOLLARS OF CALIFORNIANS IS DONE LAWFULLY, WISELY,
17 AND SUCCESSFULLY.

18 I AM PROUD OF THE ROLE OF THIS COMMITTEE
19 AND WHAT WE'VE DONE IN PROVIDING THE NECESSARY
20 OVERSIGHT ON THIS INVESTMENT. AND I'M ALSO PROUD OF
21 THE STEPS WE HAVE TAKEN TO DEMONSTRATE A
22 TRANSPARENCY IN THIS AREA OF STATE GOVERNMENT.

23 NOW, WE MEET TODAY MORE THAN SEVEN YEARS
24 AFTER THE VOTERS' PASSAGE OF PROPOSITION 71 TO
25 REVIEW THE PROGRESS OF THIS PROGRAM AND THE FINDINGS

BARRISTERS' REPORTING SERVICE

1 OF OUTSIDE AUDITORS. WE ALSO ARE GOING TO LOOK AT
2 THE INSTITUTE'S FINANCIAL PERFORMANCE AND THE
3 RECENTLY CREATED LOAN PROGRAM. MY COLLEAGUES AND I
4 ARE LOOKING FORWARD TO HEARING FROM CIRM
5 REPRESENTATIVES AND OTHER EXPERTS ON HOW WE CAN
6 STRENGTHEN OVERSIGHT AND GUARANTEE THE BEST USE OF
7 THE TAXPAYER DOLLARS DEDICATED TO THIS RESEARCH.

8 AND THANK YOU ALL FOR BEING HERE. AND I
9 WELCOME ANY INTRODUCTORY REMARKS BY ANY OF THE
10 COMMITTEE MEMBERS. ANY COMMITTEE LIKE TO MAKE A
11 STATEMENT?

12 THEN WE'LL GO TO ITEM NO. 5. WE'LL ADOPT
13 THE TRANSCRIPT OF THE JANUARY 28, 2011, CFAOC
14 MEETING. ARE THERE ANY COMMENTS OR QUESTIONS?
15 SEEING NONE, IS THERE A MOTION?

16 MEMBER LIPSON: SO MOVED.

17 CHAIRMAN CHIANG: A MOTION BY DR. LIPSON.
18 IS THERE A SECOND?

19 MEMBER BRUNNER: SECOND.

20 CHAIRMAN CHIANG: IS THERE OBJECTION?
21 WITHOUT OBJECTION, MOTION PASSES.

22 NEXT ITEM, WE WILL DO THE ACCOUNTANT WILL
23 PRESENT THE 2010-2011 INDEPENDENT FINANCIAL AUDIT,
24 AND THEN WE'LL HAVE CIRM'S AUDIT RESPONSE. MAY I
25 ASK A REPRESENTATIVE OF MACIAS TO PRESENT THEIR

BARRISTERS' REPORTING SERVICE

1 FINANCIAL AUDIT FINDINGS? THEY'RE NOT HERE YET.

2 WE'LL GO TO THE NEXT ITEM, ITEM 7. WE'LL
3 DO THE STATUS UPDATE OF CIRM'S FINANCIAL
4 PERFORMANCE, UPDATE OF GRANTS AWARDED, AND GRANT
5 PROCESS. I'D LIKE TO INVITE A REPRESENTATIVE FROM
6 CIRM TO ADDRESS THIS ITEM. AS YOU BRING THIS UP TO
7 DATE, WE WOULD PARTICULARLY LIKE TO HEAR ABOUT YOUR
8 CURRENT AND PROJECTED BUDGETS, STATUS OF BOND
9 FUNDING, LOAN PROGRAM, AND TRANSITION PLAN.

10 DR. PLUNKETT: MY NAME IS MATTHEW
11 PLUNKETT. I'M THE CHIEF FINANCIAL OFFICER AT CIRM.

12 CHAIRMAN CHIANG: CONGRATULATIONS.

13 DR. PLUNKETT: THANK YOU. I STARTED EIGHT
14 WEEKS AGO. AND JUST BY A VERY, VERY BRIEF
15 INTRODUCTION, MY BACKGROUND IS IN ORGANIC CHEMISTRY.
16 PH.D. FROM UC BERKELEY. I SPENT FOUR YEARS WORKING
17 AS A SCIENTIST IN THE BIOTECHNOLOGY INDUSTRY IN THE
18 BAY AREA. NINE YEARS AS A BIOTECH INVESTMENT BANKER
19 WHERE I WORKED TO RAISE MONEY FOR CORPORATE CLIENTS
20 IN THE BIOTECH INDUSTRY UP AND DOWN THE WEST COAST,
21 AND THEN TWO YEARS AS CHIEF FINANCIAL OFFICER AT A
22 PRIVATE BIOTECHNOLOGY COMPANY IN SOUTH SAN
23 FRANCISCO. I CAME TO CIRM REALLY TO HELP THE
24 ORGANIZATION ACHIEVE ITS PRIMARY GOAL OF FINDING
25 STEM CELL CURES WITHIN THE NEXT NUMBER OF YEARS WITH

BARRISTERS' REPORTING SERVICE

1 THE BOND FUNDING WHICH WE HAVE AVAILABLE TO US
2 TODAY.

3 I WOULD LIKE TO JUST START OUT BEFORE I GO
4 INTO A BRIEF FINANCIAL REVIEW OF OUR PRIOR FISCAL
5 YEAR AND SAY AS KIND OF THE NEW FINANCIAL PERSON ON
6 THE TEAM I'D REALLY GONE THROUGH A NUMBER OF THE
7 PAST TRANSCRIPTS OF THIS COMMITTEE AS WELL AS HOW
8 WE'VE BEEN REPORTING THINGS AND SO FORTH
9 HISTORICALLY. AND I UNDERSTAND THAT THIS CFAOC
10 GROUP HAS IDENTIFIED SEVERAL ISSUES IN THE PAST, AND
11 I'D LIKE TO SAY THAT I'VE ALSO COME ON SOME OF THE
12 SAME THINGS. I'D JUST LIKE TO FLAG THOSE BEFORE I
13 START HERE.

14 PHILOSOPHICALLY I BELIEVE THAT BUDGETING
15 AND FINANCIAL REPORTING SHOULD BE VERY CLOSELY TIED
16 TO FUNCTIONAL AREAS; AND, THEREFORE, FOR THE COMING
17 YEAR AND WHAT YOU WILL SEE AT THIS TIME NEXT YEAR IS
18 A BUDGET THAT HAS ADDITIONAL COST CENTERS, INCLUDING
19 EXPLICIT BUCKETS FOR PUBLIC RELATIONS, INFORMATION
20 TECHNOLOGY, AND LEGAL. AND REALLY THE GOAL THERE IS
21 TO ALLOW ANYBODY, WHETHER IT'S A BOARD MEMBER OF
22 CIRM OR A MEMBER OF THE CFAOC OR A STAFFER IN
23 SACRAMENTO, TO LOOK AT OUR BUDGET AND REALLY CLOSELY
24 UNDERSTAND WHERE THE DOLLARS ARE GOING TIES OUT TO
25 WHAT'S BEING ACHIEVED AND WHAT THE GOALS ARE FOR THE

BARRISTERS' REPORTING SERVICE

1 ORGANIZATION.

2 THE SECOND THING WHICH I'LL COMMENT ON IS
3 I WAS ABLE TO TAKE A FRESH LOOK AT THE GRANTS
4 MANAGEMENT I.T. CONTRACTING PROJECT WHICH WE HAVE
5 ONGOING. AND I'VE DIRECTED THE GROUP TO REALLY HAVE
6 BI-WEEKLY EXPLICIT DECISION-MAKING AND DISCUSSIONS
7 AS REGARD TO CHANGES TO THE PRIORITIES OF THE
8 PROGRAM WITH THE GOAL BEING TO GET THIS GRANTS
9 MANAGEMENT PROJECT TO THE POINT WHERE IT'S HEADED
10 TOWARDS A MAINTENANCE MODE BY THE END OF THIS
11 CALENDAR YEAR. SO I JUST WANTED TO FLAG A COUPLE OF
12 THOSE THINGS HERE BEFORE I START. AND IF IT'S ALL
13 RIGHT, I'LL JUST GO INTO A BRIEF DISCUSSION OF THE
14 2010-2011 RESULTS FOR THE ORGANIZATION.

15 SO ON THE FIRST SLIDE HERE, YOU CAN JUST
16 SEE THE EXPENDITURES IN SORT OF VERY HIGH LEVEL
17 OVERVIEW. WE HAD BUDGETED \$8.85 MILLION FOR
18 SALARIES AND BENEFITS. WE ENDED UP SPENDING \$8.04
19 MILLION IN THAT CATEGORY. FOR ALL OTHER EXPENSES,
20 WE BUDGETED \$7.17 MILLION AND ENDED UP SPENDING
21 \$6.95 MILLION. FOR A TOTAL WE ENDED UP SPENDING
22 \$14.99 MILLION FOR THE YEAR, WHICH WAS \$1.03 MILLION
23 UNDER BUDGET FOR THE YEAR.

24 THE NEXT SLIDE IS A LITTLE MORE DETAILED
25 BREAKDOWN ON THIS, AND I'LL JUST GO THROUGH A COUPLE

BARRISTERS' REPORTING SERVICE

1 OF THE LARGER LINE ITEMS HERE AND HAPPY TO FIELD
2 QUESTIONS ON THIS AS WELL. FOR SALARIES AND
3 BENEFITS, AGAIN, THE BUDGET HERE ENDED UP BEING
4 8.85. WE WERE \$804,000 UNDER THAT. COUPLE OF
5 REASONS FOR THAT. ONE IS THAT WE HAD AN UNFILLED
6 POSITION FOR AN I.T. DIRECTOR WHICH WE ENDED UP
7 FILLING WITH A CONTRACTOR.

8 SO YOU'LL SEE THAT THERE WAS A VARIANCE ON
9 THE POSITIVE SIDE FOR THE OUTSIDE CONTRACTS. AND
10 THAT AMOUNT, WHICH IS A LITTLE OVER \$200,000, REALLY
11 ENDS UP NETTING OUT TO BE CLOSE TO ZERO, BUT THERE
12 WERE A COUPLE OF UNFILLED POSITIONS THAT TOOK US A
13 LITTLE BIT LONGER TO FILL DURING THE PAST FISCAL
14 YEAR THAN WE HOPED WHEN WE PUT THE BUDGET TOGETHER.

15 THE OUTSIDE CONTRACTS TOTALED \$3.04
16 MILLION. \$1.1 MILLION OF THAT WAS OUTSIDE CONTRACTS
17 FOR THE GRANTS MANAGEMENT I.T. PROJECT. AN
18 ADDITIONAL \$900,000 WAS OUTSIDE CONTRACTS FOR LEGAL
19 SERVICES, AND THERE'S A NUMBER OF OTHER THINGS THAT
20 ADD UP COLLECTIVELY TO MAKE THE \$3.04 MILLION.

21 MEMBER KOVACH: CAN I HAVE A QUESTION?
22 THE OUTSIDE CONTRACTS FOR GRANTS MANAGEMENT, IS THAT
23 A FIRM THAT ASSISTS THEM IN THAT PROCESS?

24 DR. PLUNKETT: WE HAVE FIVE INDIVIDUALS
25 TODAY WHO ARE WORKING ON THAT PROJECT, AND THEY EACH

BARRISTERS' REPORTING SERVICE

1 COME TO US THROUGH A TOTAL OF FOUR DIFFERENT OUTSIDE
2 AGENCIES WHO PROVIDE THEM EMPLOYEE BENEFITS AND SO
3 FORTH. SO WE CONTRACT WITH THE CONTRACTING
4 AGENCIES, AND THEY'RE EMPLOYEES OF THOSE FOUR
5 AGENCIES.

6 MEMBER KOVACH: THANK YOU.

7 DR. PLUNKETT: WE DID SIGNIFICANTLY
8 UNDERSPEND ON THE ICOC SCIENCE AND WORKING GROUP
9 MEETINGS, \$1.2 MILLION COLLECTIVELY, WHICH WAS
10 \$671,000 UNDER BUDGET. AND THEN THE ONLY OTHER ITEM
11 WHICH I'LL COMMENT ON HERE IS THE I.T. BUDGET WHICH
12 ENDED UP SIGNIFICANTLY OVER. I BELIEVE THAT
13 THAT'S -- ABOUT HALF OF THAT OVERRUN OF \$604,000 IS
14 DUE TO THAT PREVIOUS CHANGE THAT I MENTIONED WHERE
15 WE HAD AN EMPLOYEE IN THE BUDGET AS DIRECTOR OF I.T.

16 WE ENDED UP IN THE PRIOR FISCAL YEAR
17 FILLING THAT WITH A CONTRACTOR. I'M SORRY. I
18 MISSPOKE THERE. THAT'S IN SIGNIFICANT PART DUE TO
19 MORE EXPENSES FOR THE I.T. PROJECT THAN WE HAD
20 ANTICIPATED AS WELL AS SOME CHANGES TO OUR WEBSITE
21 TO ENABLE US TO GET MORE INFORMATION ON A REAL-TIME
22 BASIS OUT TO THE PUBLIC WITH REGARD TO WHO'S BEEN
23 RECEIVING AWARDS FROM CIRM.

24 ARE THERE ANY QUESTIONS ON THIS?

25 CHAIRMAN CHIANG: I'M SORRY. CAN YOU

BARRISTERS' REPORTING SERVICE

1 FURTHER DELINEATE WHAT'S CATEGORIZED IN THE OTHER
2 CATEGORY?

3 DR. PLUNKETT: ABSOLUTELY. ACTUALLY I
4 HAVE EVERY SINGLE ITEM FOR THIS YEAR'S BUDGET, AND
5 THEY CLOSELY LINE UP, IF THAT'S ALL RIGHT. I THINK
6 THAT WILL GIVE YOU A GOOD SENSE OF WHERE THAT ENDED
7 UP.

8 \$45,000 FOR ELECTRONIC JOURNAL ACCESS. SO
9 WE HAD ACCESS TO SEVERAL DOZEN ELECTRONIC JOURNALS
10 FOR THE SCIENTIFIC STAFF AT CIRM. THERE'S A \$50,000
11 ITEM THERE FOR THE SCIENCE OFFICES FOR CONFERENCES
12 AND PROFESSIONAL DEVELOPMENT. SO THIS IS AN EXAMPLE
13 OF SOMETHING, WHERE AT THE END OF THE DAY, WE'LL
14 REALLY TRY AND MAKE THIS MORE EXPLICIT. THERE
15 PROBABLY SHOULDN'T BE -- GOING FORWARD, I DON'T
16 EXPECT WE'LL HAVE A LINE ITEM THAT SAYS OTHER AT
17 ALL. TRY AND AVOID THAT.

18 CHAIRMAN CHIANG: WE APPRECIATE THAT.
19 THIS WAS A MATTER OF CONCERN LAST YEAR.

20 DR. PLUNKETT: \$115,000 IS FOR NONCAPITAL
21 EQUIPMENT AND OFFICE SUPPLIES. \$19,000 FOR
22 PHOTOCOPY MAINTENANCE. \$60,000 FOR PUBLIC EDUCATION
23 EVENTS. THAT'S ONE WHERE I DON'T THINK IN THIS
24 CURRENT FISCAL YEAR WE'LL BE CLOSE TO THAT EXPENSE.
25 WE SHOULD BE SIGNIFICANTLY UNDER. \$102,000 FOR

BARRISTERS' REPORTING SERVICE

1 PROFESSIONAL MEMBERSHIPS FOR EMPLOYEES ACROSS THE
2 ORGANIZATION, THE ANNUAL REPORT EXPENSE, AND A
3 NUMBER OF OTHER THINGS.

4 DOES THAT GIVE YOU A GOOD SENSE OF THE
5 ITEMS THAT ARE IN THERE? THERE'S SOME OTHERS THAT
6 ARE MORE IN THE TEENS.

7 CHAIRMAN CHIANG: YEAH. THAT GIVES A MUCH
8 BETTER SENSE. \$115,000 FOR NONCAPITAL EQUIPMENT, DO
9 YOU EXPECT THERE TO BE CONSISTENCY IN THAT FIGURE
10 EACH YEAR?

11 DR. PLUNKETT: NO. I EXPECT THAT -- FOR
12 TWO REASONS. ONE IS THAT WE'RE NOT REALLY ADDING A
13 LARGE NUMBER OF EMPLOYEES IN THE COMING FISCAL YEAR.
14 SO THAT'S EVERYTHING FROM A KEYBOARD THAT'S NOT
15 CAPITALIZED TO A NEW OFFICE CHAIR AND THAT KIND OF
16 THING. SO I DON'T EXPECT THAT TO BE AS LARGE IN THE
17 COMING YEAR.

18 CHAIRMAN CHIANG: CAN YOU GIVE US A
19 STATUS, SINCE YOU REFERENCE IT, I DON'T KNOW IF
20 YOU'RE GOING TO GO INTO MORE DETAIL IN THE FUTURE,
21 THE STATUS OF THE GRANTS MANAGEMENT I.T.?

22 DR. PLUNKETT: ABSOLUTELY. LET ME JUST
23 PULL OUT A LITTLE SHEET OF NOTES THAT I HAVE ON THAT
24 AS WELL, IF I MAY.

25 SO WE HAVE ADDED A NUMBER OF SIGNIFICANT

BARRISTERS' REPORTING SERVICE

1 PIECES OF FUNCTIONALITY TO THE GRANTS MANAGEMENT
2 PROJECT OVER THE LAST 12 MONTHS SINCE WE LAST MET.
3 FOR EXAMPLE, WE'RE NOW ABLE TO AUTOMATICALLY
4 GENERATE LISTS OF POTENTIAL CONFLICTS FOR GRANT
5 APPLICANTS. SO FOR WHAT WE CALL OUR BASIC BIOLOGY
6 RFA, THERE'S SOMETIMES OVER 300 APPLICATIONS. AND
7 PREVIOUSLY CIRM EMPLOYEES HAD TO MANUALLY GENERATE A
8 LIST OF OVER 300 POTENTIAL CONFLICTS WHICH THEN
9 NEEDS TO BE REVIEWED BY EACH OF THE 29 BOARD MEMBERS
10 AS WELL AS THE SCIENTIFIC REVIEWERS. THAT PROCESS
11 HAS NOW BEEN AUTOMATED. OBVIOUSLY REDUCES THE
12 POTENTIAL FOR HUMAN ERROR THERE AND GIVES US SOME
13 COMFORT AROUND THAT PROCESS.

14 ANOTHER PROCESS WHICH HAS BEEN LARGELY
15 AUTOMATED IS THE PROCESS OF PRODUCING NEW RFA'S. SO
16 WHEN PEOPLE SUBMIT AN APPLICATION FOR CIRM FUNDING,
17 THERE'S A 20-, 30-, 40-PAGE APPLICATION THAT HAS
18 EVERYTHING FROM DETAILS ABOUT THE SCIENTIFIC LEADER
19 OF A PROJECT TO A LAY PERSON'S EXPLANATION OF THE
20 PROGRAM TO SCIENTIFIC DETAILS OF WHAT'S ALREADY BEEN
21 ACCOMPLISHED IN A PROPOSED RESEARCH PLAN.

22 PREVIOUSLY THAT ACTUALLY TOOK A FEW MONTHS
23 TO CREATE A NEW AUTOMATED PDF TEMPLATE THAT AN
24 APPLICANT COULD FILL OUT, SUBMIT TO CIRM, AND THEN
25 WE SORT OF GO THROUGH PAPER COPIES OF THIS IN HOUSE.

BARRISTERS' REPORTING SERVICE

1 THE PROCESS OF GENERATING THE NEW RFA' S HAS BEEN
2 LARGELY AUTOMATED, AND IT ACTUALLY ONLY TAKES A FEW
3 DAYS AS LONG AS THERE' S NOT HUGE CHANGES FROM WHAT
4 WE' VE DONE BEFORE. SO I THINK THAT' S REALLY GOOD
5 PROGRESS.

6 SOME OF THE THINGS THAT ARE HIGHEST ON THE
7 LIST THAT WE STILL NEED TO ACCOMPLISH ARE REALLY
8 DRAWING SOME OF THE REPORTING THINGS IN IN A MORE
9 AUTOMATED FASHION. SO, FOR EXAMPLE, ONE OF THE
10 THINGS THAT WE' D REALLY LIKE TO KNOW IS FOR EACH OF
11 OUR CIRM APPLICANTS HOW MANY PEOPLE WERE SUPPORTED
12 IN THE LAST YEAR WITH THIS CIRM FUNDING, OR HOW MANY
13 ADDITIONAL EMPLOYEES DID YOU HAVE ON THIS PROJECT
14 THAT WERE SUPPORTED BY FUNDING SOURCES OTHER THAN
15 CIRM. SO THINGS LIKE THAT ARE THINGS THAT ARE ON
16 THE LIST TO BE DONE AS WE HEAD TOWARDS A MAINTENANCE
17 PHASE WITHIN THE NEXT 12 MONTHS.

18 DOES THAT ANSWER THE QUESTION?

19 CHAIRMAN CHIANG: THAT' S VERY GOOD, IN
20 FACT. DO YOU HAVE A TIME FRAME FOR COMPLETION OF
21 THOSE REMAINING PROJECTS? IS THAT THE EXHAUSTIVE
22 LIST OF REMAINING PROJECTS, AND WHAT' S THE
23 EXPENDITURES EXPECTED?

24 DR. PLUNKETT: IF WE HAD AN EXHAUSTIVE
25 LIST, I FEAR THAT THE PROJECT WOULD GO ON FOREVER.

BARRISTERS' REPORTING SERVICE

1 AND WHAT WE'RE GOING TO DO TO REALLY KIND OF DRAW A
2 LINE HERE IS SAY TAKE THE 80/20 RULE OR 90/10 OR
3 WHATEVER IT HAPPENS TO BE AND REALLY GET 90, 95
4 PERCENT OF THE FUNCTIONALITY COMPLETE. AND I'VE
5 DIRECTED THE GROUP TO DEVELOP A PLAN TO GET TO THAT
6 POINT BY YEAR-END. THAT'S STILL IN PROCESS, SO I
7 CAN'T TELL YOU IF YEAR-END MIGHT BE 70 PERCENT AND
8 GOES A LITTLE BIT FURTHER THAN THAT. BUT THE GOAL
9 IS REALLY TO HAVE THIS IN A MAINTENANCE MODE BY
10 CALENDAR YEAR-END.

11 CHAIRMAN CHIANG: REMAINING EXPENDITURES
12 FOR THE I.T. PROJECT.

13 DR. PLUNKETT: SO FOR THIS YEAR'S BUDGET,
14 IT'S \$1.3 MILLION FOR THE GRANTS MANAGEMENT PROJECT.
15 I EXPECT WE'LL BE AT ABOUT THAT NUMBER THIS YEAR,
16 NOT MUCH LOWER OR HIGHER. I WOULD LIKE TO SEE IT AT
17 ONE MILLION FOR NEXT YEAR AND 500,000 FOR THE
18 FOLLOWING YEAR.

19 CHAIRMAN CHIANG: SO IN ENTIRETY, WHAT
20 WOULD THE SUM BE FOR THE GRANTS MANAGEMENT
21 EXPENDITURES?

22 DR. PLUNKETT: LET ME GIVE YOU THAT
23 ANSWER.

24 CHAIRMAN CHIANG: YOU CAN GO ON WITH YOUR
25 PRESENTATION AND SOMEBODY CAN CHECK ON THAT.

BARRISTERS' REPORTING SERVICE

1 DR. PLUNKETT: THE REASON I HAD TO LOOK IS
2 I THINK, AS YOU RECALL FROM PREVIOUS YEARS, THERE
3 WAS A COUPLE OF PREVIOUS INCARNATIONS WHERE WE TRIED
4 TO USE OFF-THE-SHELF SOFTWARE ON IT, AND IT REALLY
5 ENDED UP NOT DOING THE JOB. MY ESTIMATE WOULD BE
6 ALL IN FOR THE CURRENT INCARNATION APPROXIMATELY \$4
7 MILLION.

8 SO THAT'S IT FOR THE BACKWARDS LOOKING
9 STUFF. ARE THERE ANY FURTHER QUESTIONS ON THE PRIOR
10 FISCAL YEAR?

11 CHAIRMAN CHIANG: NO.

12 DR. PLUNKETT: SO IF IT'S ALL RIGHT, WE'LL
13 GO TO THE BUDGET FOR THE CURRENT YEAR, AND THEN I
14 CAN GIVE YOU A STATUS UPDATE THAT WE PRESENTED TO
15 OUR BOARD LAST TUESDAY.

16 MS. HOLTON-HODSON: IT'S ALSO UNDER TAB 6B
17 IN YOUR BINDERS.

18 DR. PLUNKETT: THIS IS TAB 6A ON YOUR
19 BINDER. AND SO ALONG THE TOP HERE YOU CAN SEE OUR
20 CURRENT COST CENTERS, WHICH IS THE SCIENCE OFFICE,
21 FINANCE, OFFICE OF THE PRESIDENT, AND OFFICE OF THE
22 CHAIR. GOING ACROSS, AS I MENTIONED EARLIER, WE
23 WILL BE ADDING A FEW ADDITIONAL COST CENTERS OR
24 DEPARTMENTS TO BUCKET THESE CATEGORIES BETTER AND
25 ALSO REALLY TRY AND PROVIDE A LITTLE MORE CLARITY ON

BARRISTERS' REPORTING SERVICE

1 WHAT EACH OF THESE COST CENTERS ARE FOR YOU AND FOR
2 OTHER MEMBERS OF THE PUBLIC AS WELL.

3 BUT WHAT I COULD DO, IF IT'D BE HELPFUL TO
4 YOU, IS JUST KIND OF COMPARE THE BUDGET FOR THE
5 CURRENT FISCAL YEAR AS COMPARED TO THE YEAR WHICH
6 ENDED IN JUNE OF 2011 AND JUST GIVE YOU A FLAG ON
7 SOME OF THE KEY VARIANCES IN THOSE ITEMS.

8 SO IN TERMS OF SALARIES AND BENEFITS, YOU
9 CAN SEE THAT WE ARE \$1.5 MILLION HIGHER FOR THE
10 CURRENT FISCAL YEAR THAN THE PRIOR FISCAL YEAR. WE
11 HAVE ADDED SEVERAL HEAD COUNT ONTO THE ORGANIZATION,
12 46 VERSUS 50. AND IN ADDITION, THERE WERE SOME
13 MERIT INCREASES IN THE ORGANIZATION AS WELL. SO
14 COLLECTIVELY THOSE TWO ARE REALLY THE DRIVERS OF THE
15 INCREASE HERE.

16 THE NEXT BIG ITEM HERE IS THE EXTERNAL
17 CONTRACTS. AS YOU SAW FROM THE PRIOR FISCAL YEAR,
18 WE WERE OVER BUDGET ON THAT ITEM. AND THE BUDGET
19 FOR THE CURRENT FISCAL YEAR ACTUALLY DOES REFLECT
20 AND IS IN CLOSE ACCORD WITH WHAT THE ACTUALS WERE
21 FOR THE PRIOR FISCAL YEAR. WE DO EXPECT THAT NUMBER
22 TO COME DOWN IN THE COMING FISCAL YEAR FOR SEVERAL
23 REASONS. AS ONE EXAMPLE, ONE OF THE OPEN POSITIONS
24 WHICH WE HAVE IS FOR A SENIOR DIRECTOR OF PUBLIC
25 RELATIONS AND PATIENT ADVOCACY. AS WE BRING THAT

BARRISTERS' REPORTING SERVICE

1 EXPERTISE IN-HOUSE, WE DO EXPECT THAT THE VALUE OF
2 THE EXTERNAL CONTRACTS WILL DECLINE.

3 OTHER BIG ITEMS HERE, I THINK THE REST OF
4 THESE ARE MOSTLY IN LINE OR NOT ENORMOUS IN TERMS OF
5 DOLLAR AMOUNTS. SO THE BUDGET TOTAL FOR THIS YEAR
6 IS \$18.50 MILLION. WHERE WE ARE TODAY, AND HAVING
7 TAKEN A LOOK AT THE FINANCIALS IN DETAIL THROUGH
8 NOVEMBER AND AT A TOP LEVEL THROUGH DECEMBER, I'M
9 COMFORTABLE THAT WE'LL BE AROUND A MILLION DOLLARS
10 UNDER BUDGET FOR THE CURRENT FISCAL YEAR.

11 MEMBER KOVACH: COULD YOU COMMENT UNDER
12 SCIENCE MEETINGS, DO YOU HAVE AN ESTIMATE OF HOW
13 MANY MEETINGS THAT YOU WILL HOLD?

14 DR. PLUNKETT: I DO. ACTUALLY MORE THAN
15 AN ESTIMATE. I HAVE THE NUMBER PLANNED. SO LAST
16 YEAR WE HAD SEVEN MEETINGS TOTAL THROUGHOUT THE
17 FISCAL YEAR. THIS YEAR FROM JULY THROUGH DECEMBER
18 OF 2011, WE'VE ACTUALLY HAD FIVE. SO WE'RE AT A
19 MUCH HIGHER RUN RATE THAN WE WERE IN THE PRIOR
20 FISCAL YEAR.

21 ONE OF THE BIG DRIVERS FOR THAT IS AS CIRM
22 HAS HAD MORE PROGRAMS EITHER IN HUMAN CLINICAL
23 TRIALS OR HEADED TOWARDS HUMAN CLINICAL TRIALS, IT
24 REALLY BECOMES A MUCH MORE COMPLICATED PROJECT. AND
25 WE'VE CONVENED WHAT WE CALL CLINICAL DEVELOPMENT

BARRISTERS' REPORTING SERVICE

1 ADVISORY PANELS TO REALLY REVIEW AND HELP PROVIDE
2 INPUT ON PROGRAMS THAT ARE EITHER IN THE CLINIC OR
3 HEADED TOWARDS THE CLINIC. I THINK THAT THAT'S BEEN
4 REALLY VALUABLE BOTH FOR CIRM STAFF AS WELL AS FOR
5 THE PEOPLE HEADING INTO THESE PROGRAMS TO REALLY GET
6 THAT EXTERNAL INPUT ON THE PROGRAMS.

7 SO THAT'S ONE OF THE DRIVERS OF THE
8 INCREASE OF THAT EXPENSE. THAT'S THE DRIVER FOR THE
9 INCREASE IN THAT EXPENSE.

10 CHAIRMAN CHIANG: CAN YOU GO INTO MORE
11 SPECIFICITY ABOUT THE FUNCTIONALITY OF THE POSITIONS
12 THAT WERE ADDED AND THE MERIT INCREASES VIS-A-VIS IF
13 ANY OF THOSE SERVICES WERE PROVIDED BY EXTERNAL
14 CONTRACTS?

15 DR. PLUNKETT: WHAT DO YOU MEAN BY THE
16 LAST QUESTION?

17 CHAIRMAN CHIANG: SO LIFTING THE CAP ON 50
18 EMPLOYEES THAT CIRM HAS, AND SO I WAS JUST
19 WONDERING --

20 DR. PLUNKETT: OH, YEAH. SO THE MERIT
21 INCREASE AVERAGE ACROSS THE ORGANIZATION WAS
22 APPROXIMATELY 3.5 PERCENT ACROSS ALL OF CIRM FOR THE
23 PRIOR FISCAL YEAR. THE OPEN POSITIONS WHICH WE
24 HAVE, SEVERAL OF THOSE ARE ONES WHICH WOULD REALLY
25 REPLACE EXTERNAL WORK WHICH HAS BEEN DONE; FOR

BARRISTERS' REPORTING SERVICE

1 EXAMPLE, THE SENIOR DIRECTOR OF PR WHICH I MENTIONED
2 PREVIOUSLY. A COUPLE OF THE OTHERS ARE NOT ACTUALLY
3 REPLACEMENTS. IT'S ACTUALLY NEW WORK. SO AS THE
4 VOLUME OF DOLLARS WHICH CIRM HAS AWARDED HAS GROWN
5 OVER TIME, WE'VE HAD TO ADD, FOR EXAMPLE, MORE
6 SCIENCE OFFICERS TO HELP MONITOR AND EVALUATE AND
7 REVIEW AND TRACK ALL THE PROGRAMS.

8 SO THERE'S A LITTLE BIT OF REPLACING THE
9 CONTRACTORS. I EXPECT THAT THERE WILL BE MORE OF
10 THAT IN THE COMING FISCAL YEAR.

11 CHAIRMAN CHIANG: JUST AS IT FURTHER
12 DEVELOPS, IF YOU WOULD SHARE THAT SPECIFICITY WITH
13 US. I'M JUST INTERESTED IN THE SUBSTANCE OF THE
14 WORK THAT'S DEVELOPING AND WHAT'S REPLACED, AND ARE
15 WE DOING IT MORE COST EFFICIENTLY BY BRINGING THAT
16 WORK INTERNALLY.

17 DR. PLUNKETT: WILL DO.

18 MEMBER LIPSON: ONE OF THE EXTERNAL
19 CONTRACTS HAS BEEN ABOUT HALF MILLION DOLLARS FOR
20 LAWYER FEES OR RETAINERS. AND YOU HAVE INTERNAL
21 LAWYERS, IF I'M NOT MISTAKEN, AND THAT SEEMS LIKE A
22 LOT OF MONEY UNLESS YOU'RE IN ACTIVE LITIGATION.

23 DR. PLUNKETT: J.T., WOULD YOU LIKE TO
24 COMMENT ON THAT ONE?

25 CHAIRMAN THOMAS: SURE. JON THOMAS,

BARRISTERS' REPORTING SERVICE

1 CHAIR. HAVING BEEN A MEMBER OF A GOVERNING BOARD IN
2 A MAJOR PUBLIC AGENCY HERETOFORE, I'VE WORKED WITH A
3 NUMBER OF OUTSIDE GENERAL COUNSEL WHO COMPLEMENT THE
4 IN-HOUSE COUNSEL AT THAT AGENCY. AND THERE ARE MANY
5 ISSUES ON WHICH THE BOARD RELIES VERY HEAVILY ON THE
6 REMCHO FIRM, SPECIFICALLY JAMES HARRISON. WE
7 BELIEVE THAT HIS ADVICE ON ALL SORTS OF MATTERS IS
8 EXTREMELY HELPFUL TO THE AGENCY AND DIRECTLY
9 COMPLEMENTS WHAT WE ARE HEAR IN HOUSE FROM OUR
10 ATTORNEYS.

11 SO WE AND I, IN PARTICULAR, WHO DEALT WITH
12 OUTSIDE COUNSEL, AS SOMEBODY SITTING IN YOUR
13 POSITION, I FEEL VERY FORTUNATE TO HAVE SOMEBODY OF
14 HIS CALIBER TO HELP GUIDE US THROUGH WHAT IS SORT OF
15 AN ENDLESS HOST OF THORNY ISSUES.

16 MEMBER LIPSON: I STILL QUESTION WHETHER
17 SOME OF THAT COULD BE BROUGHT IN-HOUSE.

18 CHAIRMAN THOMAS: WE HAVEN'T TALKED ABOUT
19 JAMES COMING IN-HOUSE. I THINK IF YOU WERE TO SORT
20 OF SIT DOWN, AND WE'D BE HAPPY TO GO THROUGH SORT OF
21 THE LITANY OF ISSUES THAT WE DEAL WITH WHERE HE IS
22 ADVISING THE BOARD, THAT YOU WOULD FIND THAT IT'S
23 VERY VALUABLE. WHETHER IT COULD BE BROUGHT IN-HOUSE
24 OR NOT IS AN ENTIRELY SEPARATE MATTER, BUT I THINK
25 THIS IS MONEY EXTREMELY WELL SPENT GIVEN OUR JOB AS

BARRISTERS' REPORTING SERVICE

1 STEWARDS OF THE PUBLIC FUNDS AND WANTING TO MAKE
2 SURE THAT WE HAVE ALL PROPER LEGAL PERSPECTIVES
3 COVERED.

4 MEMBER LOTT: I HAVE A QUESTION, IF I MAY
5 TOO, MR. THOMAS, BEFORE YOU LEAVE. IT'S NOT A LOT
6 OF MONEY, BUT THE COMMUNITY OUTREACH THAT YOU'VE GOT
7 IN HERE FOR CONTRACT FOR COMMUNITY OUTREACH
8 COORDINATION, WHAT TYPE OF PUBLIC ADVOCACY ARE WE
9 TALKING ABOUT? HOW MUCH IS DONE IN-HOUSE? WHAT'S
10 THE USE OF THIS OUTSIDE COORDINATOR TO DO THIS?
11 WHAT'S THE PURPOSE OF THIS?

12 CHAIRMAN THOMAS: WITH RESPECT TO THAT
13 PARTICULAR CONTRACT, WHICH HAS BEEN ONE THAT HAS
14 BEEN IN PLACE WHILE WE'VE NOT HAD SOMEBODY IN-HOUSE
15 SPECIFICALLY FOCUSED ON PATIENT ADVOCACY OUTREACH,
16 THAT HUSBAND AND WIFE TEAM, WHO'VE BEEN PLAYERS IN
17 THE PATIENT ADVOCATE COMMUNITY FOR MANY YEARS, WAS
18 CONTRACTED TO HOLD A SERIES OF EVENTS WHICH WE'VE
19 HAD IN VARIOUS PARTS OF THE STATE WHERE THEY, FOR
20 EXAMPLE, BRING IN PATIENT ADVOCATES FROM A
21 PARTICULAR AREA, THEY BRING IN SCIENTISTS TO SPEAK
22 ON A PARTICULAR TOPIC, AND WE WOULD HAVE THE
23 DIALOGUE TO INFORM THE PUBLIC ABOUT WHAT CIRM IS
24 DOING.

25 THEY ALSO HAVE AN EXTENSIVE NETWORK OF

BARRISTERS' REPORTING SERVICE

1 PATIENT ADVOCACY GROUPS WITH WHICH THEY INTERACT ON
2 OUR BEHALF IN A VARIETY OF WAYS. AS WE LOOK TO
3 BRING IN A FULL-TIME DIRECTOR OF PUBLIC
4 COMMUNICATIONS AND PATIENT ADVOCACY OUTREACH, WE
5 ANTICIPATE THAT THAT WORK WITH THE PATIENT ADVOCACY
6 COMMUNITY WILL BE DONE ENTIRELY IN-HOUSE. AND WE
7 EXPECT THAT THAT WILL BE A COST SAVINGS WITH RESPECT
8 TO THAT PARTICULAR CONTRACT.

9 MEMBER LOTT: WHAT YOU DO IN-HOUSE NOW
10 VERSUS THIS CONTRACT, WHAT IF YOU ROLLED UP THE
11 TOTAL AMOUNT? HOW MUCH ARE WE SPENDING ON THAT?

12 CHAIRMAN THOMAS: ON PATIENT ADVOCACY?

13 MEMBER LOTT: ALL ADVOCACY, PUBLIC
14 ADVOCACY, PATIENT, WHATEVER, HOW MUCH IS BEING SPENT
15 IN THIS AREA?

16 DR. PLUNKETT: \$1.3 MILLION. THAT'S
17 ALMOST EXACTLY HALF FOR THE FOUR EMPLOYEES AND HALF
18 FOR EXTERNAL.

19 CHAIRMAN THOMAS: THERE ARE ALL SORTS OF
20 THINGS. WE CAN GET YOU AN ITEMIZED LIST AS TO WHERE
21 THAT GOES, BUT IT COVERS EMPLOYEE COST, IT COVERS
22 ANNUAL REPORTS, COVERS A WHOLE BUNCH OF STUFF.

23 MEMBER LOTT: THANK YOU.

24 DR. PLUNKETT: ARE THERE ANY FURTHER
25 QUESTIONS ABOUT THIS YEAR'S BUDGET?

BARRISTERS' REPORTING SERVICE

1 MEMBER LIPSON: AM I CORRECT THAT THERE
2 WAS AN INCREASE IN THE DIRECTOR'S SALARY FROM
3 137,000 TO 400,000?

4 CHAIRMAN THOMAS: YES.

5 DR. PLUNKETT: OF THAT, 250,000 PER YEAR
6 IS PAID FOR WITH DONATED FUNDS.

7 MEMBER LIPSON: WHERE IS THE DONATION
8 COMING FROM BECAUSE THAT COULD BE A CONFLICT OF
9 INTEREST RIGHT THERE?

10 DR. PLUNKETT: IT WAS MONEY THAT WAS
11 DONATED IN 2006 FROM A PRIVATE INDIVIDUAL.

12 MEMBER LIPSON: IS THAT INDIVIDUAL IN THE
13 STEM CELL RESEARCH COMMERCIAL ASPECTS THEREOF?

14 DR. PLUNKETT: NOT AT ALL.

15 MEMBER LOTT: IT DOES BEG ANOTHER
16 QUESTION. I'M SORRY. I DON'T WANT TO INTERRUPT
17 YOU. DO YOU HAVE SOME GUIDELINES? DO WE HAVE
18 ADOPTED GUIDELINES, POLICIES ON DONATIONS? I
19 UNDERSTAND THIS ONE MAY NOT BE A PROBLEM; BUT IF
20 YOU'RE ACCEPTING DONATIONS, ARE THERE ANY GUIDELINES
21 THAT WOULD PROTECT US FROM CONFLICTS OF INTEREST?

22 DR. PLUNKETT: WE WILL BE TALKING ABOUT
23 OUR BROADER CONFLICT OF INTEREST PROVISIONS FURTHER
24 ON. WE HAVE NOT RECEIVED SIGNIFICANT DONATIONS IN
25 THE LAST FOUR OR FIVE YEARS. BUT I THINK AS WE

BARRISTERS' REPORTING SERVICE

1 START TO LOOK TOWARDS SOME OF OUR FUTURE
2 TRANSITIONS, ONE OF THE THINGS WHICH WE WILL BE
3 INCLUDING, BECAUSE WE'RE LOOKING AT OTHER FUNDING
4 OPPORTUNITIES TO CONTINUE STEM CELL RESEARCH ONCE
5 THE CURRENT STATE FUNDING SUNSETS, WE WILL BE
6 DEVELOPING CONFLICT REGULATIONS.

7 MR. HARRISON: GOOD MORNING. JAMES
8 HARRISON. THE BOARD DID ADOPT EARLY ON A POLICY
9 REGARDING GIFTS, AND ONE OF THE PROVISIONS OF THAT
10 POLICY IS TO PROHIBIT CIRM FROM ACCEPTING GIFTS FROM
11 INDIVIDUALS WHO HAVE APPLICATIONS OR INTEREST IN
12 APPLICATIONS THAT HAVE BEEN SUBMITTED OR PLAN TO
13 SUBMIT APPLICATIONS TO THE AGENCY.

14 MEMBER LOTT: ARE THEY BARRED FROM
15 SUBMITTING IN THE FUTURE? THIS MAY PROTECT THEM --
16 WHAT PERIOD OF TIME ARE THEY BARRED FROM APPLYING?

17 MR. HARRISON: IF YOU WILL GIVE ME A
18 MINUTE, I'LL LOOK AT THE POLICY AND GET YOU THAT
19 RESPONSE. TO DATE THE AGENCY HAS RECEIVED LARGE
20 GIFTS -- I BELIEVE WE PROVIDED RUTH HOLTON-HODSON
21 WITH A LIST -- PRIMARILY FROM PRIVATE FAMILY
22 FOUNDATIONS. WE HAVE NOT RECEIVED ANY GIFTS FROM
23 COMPANIES OR ACTIVE STEM CELL RESEARCHERS.

24 MEMBER LOTT: I UNDERSTAND. BUT DOES YOUR
25 POLICY, DOES YOUR REGULATION, EITHER YOU HAVE OR

BARRISTERS' REPORTING SERVICE

1 YOU' RE PROPOSING, WILL IT PUT IN PLACE SOME
2 RESTRICTION ON ANY SORT OF RELATIONSHIP WITH CIRM AS
3 A RESULT OF HAVING MADE A DONATION?

4 MR. HARRISON: I' LL HAVE TO DOUBLE-CHECK.
5 MY RECOLLECTION IS SOMEWHAT VAGUE. BUT THE POLICY
6 DOES LIMIT IT AT THE OUTSET, AT LEAST, CONTRIBUTIONS
7 OR GIFTS WITH PEOPLE WITH INTEREST. LET ME CHECK
8 AND SEE WHAT POINT IN TIME THAT SPANS.

9 MEMBER LOTT: THANK YOU.

10 CHAIRMAN THOMAS: JUST TO ADD JUST SO THE
11 COMMITTEE IS FULLY AWARE, THE DONATIONS THAT WE' RE
12 REFERRING TO WERE MADE BY RAY AND DAGMAR DOLBY, THE
13 DOLBY SOUND. THAT' S THE FUNDS THAT FORM THIS POOL
14 FROM 2006 FROM WHICH PART OF MY SALARY IS COVERED.

15 DR. PLUNKETT: SO IF THERE' S NO FURTHER
16 QUESTIONS ABOUT THE CURRENT YEAR BUDGET, I CAN GIVE
17 YOU THE UPDATE WHICH WE PRESENTED TO OUR BOARD LAST
18 WEEK AS WELL, SORT OF THE HALFWAY THROUGH REPORT.

19 SO I BELIEVE THIS IS ITEM 6B.

20 MS. HOLTON-HODSON: 6B.

21 DR. PLUNKETT: SO THE YEAR-TO-DATE
22 OPERATING EXPENSES FROM JULY THROUGH NOVEMBER FOR
23 THE ORGANIZATION IS \$4.85 MILLION AS COMPARED TO THE
24 PRIOR YEAR PERIOD OF \$4.34 MILLION. I' LL GO INTO
25 SOME MORE DETAILS ON THE NEXT AS WELL. THE GRANT

BARRISTERS' REPORTING SERVICE

1 DISBURSEMENTS FOR THE FIRST FIVE MONTHS OF THE
2 FISCAL YEAR ARE \$88.8 MILLION. THE AMOUNT IS NET OF
3 A REPAYMENT FROM A COMPANY NAMED GERON TO WHOM CIRM
4 HAD MADE A LOAN AWARD EARLIER IN THE YEAR. THE
5 COMPANY UNDERTOOK A CHANGE IN STRATEGIC DIRECTION,
6 DECIDED TO NO LONGER PURSUE ITS SPINAL CORD INJURY
7 PROGRAM, AND ACCORDINGLY THEY RETURNED THE ENTIRE
8 LOAN DISBURSEMENT WITH INTEREST AS WELL AS PROVIDED
9 CIRM WITH THE WARRANTS ON THEIR COMMON STOCK WHICH
10 WERE PART OF THE LOAN AGREEMENT.

11 OUR AVAILABLE BOND CASH AS OF NOVEMBER 30,
12 2011, WAS \$203.2 MILLION, AND THIS IS ALSO NET OF
13 THE GERON REPAYMENT.

14 THE NEXT PAGE HAS SOME MORE DETAIL ON OUR
15 OPERATING EXPENSES. AND WHAT YOU WILL SEE IS THAT
16 THESE NUMBERS DO VERY CLOSELY TIE OUT TO WHERE WE
17 WERE. THE INCREASES AND DECREASES OVER THE PRIOR
18 YEAR, THE RATIONALE FOR EACH OF THESE DOES TIE UP
19 CLOSELY TO THE BUDGET FOR THE FULL YEAR. AS I
20 MENTIONED BEFORE, THE INCREASE FROM 46 TO 50 FTE'S
21 AS WELL AS THE MERIT ADJUSTMENTS ACCOUNT FOR THE
22 INCREASE IN EMPLOYEE EXPENSE, TIMING FOR THE
23 CONTRACTING AND THE GRANT REVIEWS AND THE ICOC LINE
24 ITEMS A LITTLE BIT FURTHER DOWN THE PAGE.

25 AND IN ADDITION, WE HAD A COUPLE OF BIG

BARRISTERS' REPORTING SERVICE

1 MEETINGS. WE HAVE WHAT WE CALL OUR GRANTEE MEETING
2 WHERE WE GET ALL OF THE CIRM AWARDEES TOGETHER WHERE
3 THEY BOTH PRESENT RESEARCH RESULTS, EXCHANGE
4 INFORMATION, AND SO FORTH. WE'RE DOING THIS ABOUT
5 EVERY 18 MONTHS OR SO. THAT WAS IN SEPTEMBER OF
6 2011. AND IN ADDITION, THE WORLD STEM CELL MEETING
7 WAS IN PASADENA IN OCTOBER 2011. SO THAT'S THE
8 REASON FOR THE YEAR-ON-YEAR VARIANCE FOR THE
9 SCIENTIFIC MEETINGS.

10 BUT WHAT YOU'LL SEE WHEN YOU LOOK AT THE
11 DETAIL IS THAT IN THE PRIOR FISCAL YEAR, A NUMBER OF
12 THEM WERE BACK END LOADED INTO THE PRIOR YEAR, AND
13 THOSE ACTUALLY DID CATCH UP TOWARDS THE END OF THE
14 YEAR. ANY QUESTIONS ON THIS?

15 AND THEN JUST ONE LAST THING THAT I'LL
16 JUST TOUCH ON. ACCORDING TO THE TERMS OF
17 PROPOSITION 71, CIRM IS UNDER A VERY RIGOROUS CAP ON
18 EXPENSES. AS I THINK ALL OF YOU KNOW, THAT'S 3
19 PERCENT OF THE \$3 BILLION MAY BE USED FOR GRANTS
20 ADMINISTRATION AND AN ADDITIONAL 3 PERCENT MAY BE
21 USED FOR GENERAL AND ADMINISTRATIVE PURPOSES.

22 ONE OF THE THINGS WHICH WE'LL REALLY BE
23 FOCUSING ON IS BUILDING A REALLY CONSERVATIVE SET OF
24 BUDGET ASSUMPTIONS SUCH THAT BY THE TIME OUR LAST
25 GRANT AWARDS ARE MADE AND THE LAST AWARDS ARE CLOSED

BARRISTERS' REPORTING SERVICE

1 OUT AROUND 2021 THAT WE WILL BE UNDER THOSE BUDGET
2 EXPENSE CAPS.

3 THERE'S OBVIOUSLY A VIRTUALLY INFINITE
4 NUMBER OF PERMUTATIONS WHEREBY ONE COULD COME UP
5 WITH PROJECTIONS THAT KEEPS THE LIFETIME EXPENSES OF
6 CIRM UNDER THOSE 3-PERCENT CAPS. AND ONE OF THE
7 THINGS WHICH WE'LL BE FOCUSING ON AS WE DEVELOP OUR
8 BUDGET FOR THE NEXT YEAR, IN ADDITION TO THE
9 INCREASED TRANSPARENCY WHICH I ALREADY MENTIONED, IS
10 ENSURING THAT WE HAVE SUFFICIENT FUNDS THROUGH THE
11 END OF THE CURRENT STATE FUNDING AND MAKE SURE THAT
12 WE'RE IN COMPLIANCE WITH THE TERMS OF PROPOSITION
13 71.

14 MEMBER LIPSON: WHAT HAPPENS WITH THE
15 MONEY RETURNED FROM GERON?

16 DR. PLUNKETT: THAT'S AVAILABLE TO BE
17 RE-AWARDED.

18 MEMBER LIPSON: IS THAT UNDER THE SAME
19 PROVISIONS AS THE BOND MONEY?

20 DR. PLUNKETT: YES. THAT'S JUST PART OF
21 THE \$3 BILLION, THAT'S CORRECT.

22 CHAIRMAN CHIANG: WHAT'S THE CURRENT
23 THINKING ABOUT THE LOAN PROGRAM? ORIGINALLY YOU
24 WERE LOOKING AT 500 MILLION. HAS THAT NUMBER
25 CHANGED OR --

BARRISTERS' REPORTING SERVICE

1 DR. TROUNSON: I THINK WE -- ALAN
2 TROUNSON. YOU KNOW, I THINK WE NEED TO TAKE A CLOSE
3 LOOK AT THE LOAN PROGRAM, AND WE ARE DOING THAT
4 IN-HOUSE. THERE HAVE ONLY BEEN A RELATIVELY SMALL
5 NUMBER OF LOANS AWARDED AND ONE RETURNED. AND SO WE
6 WANTED TO TAKE A GOOD LOOK AT THAT TO SEE WHETHER
7 IT'S REALLY ACHIEVING WHAT WE SET OUT TO DO IN THE
8 FIRST PLACE. AND I THINK WE WILL COME UP WITH A
9 REVIEW OF THAT IN THE NEXT FEW MONTHS, WHICH WE'LL
10 HAVE TO TAKE FORWARD TO THE ICOC AND SEE IF THEY'LL
11 CONSIDER EITHER A REVISION OF US DOING LOANS OR A
12 REVISION OF THE LOANS PROCEDURES.

13 BUT THIS IS SOMETHING THAT WE HAVE UNDER
14 CONSIDERATION AT THE PRESENT TIME. AND IT'S VERY
15 DIFFICULT TO SEE THAT WE WOULD BE ABLE TO ACHIEVE
16 WHAT WE SET OUT TO DO IN THE BEGINNING WITH THAT
17 LOAN PROGRAM, AT LEAST IN THE TIME FRAMES WHICH YOU
18 SEE ON THESE GRAPHICS BECAUSE ANY RETURN OF LOAN
19 MONEY IS PROBABLY GOING TO BE A LONG WAY FORWARD.
20 AND SO THAT DISCUSSION WILL TAKE PLACE OVER THE NEXT
21 FEW MONTHS.

22 MEMBER KOVACH: I HAVE A QUESTION.
23 CLEARLY THE LOAN PROGRAM IS PRETTY WELL KNOWN, AND
24 BIOTECH COMPANIES IN GENERAL NEED MONEY. CAN YOU
25 COMMENT? SO ONE INTUIT THAT THERE'S PROBABLY

BARRISTERS' REPORTING SERVICE

1 DIALOGUE GOING ON. IS THERE THEMES THAT RESULT
2 RELATING TO WHY THERE'S NOT MORE OPPORTUNITIES? IS
3 IT THE PROPOSALS OF THE COMPANIES, OR IS IT THEIR
4 UNEASINESS, I GUESS, WITH SOME OF THE PROVISIONS?

5 DR. TROUNSON: WHEN IT COMES TO LOANS,
6 THERE GETS TO BE A LONG DIALOGUE WITH RESPECT TO
7 MANY ISSUES WITHIN THE LOANS. SOME COMPANIES HAVE
8 PROBLEMS WITH THE WARRANTS. SOME COMPANIES HAVE
9 PROBLEMS WITH OTHER ASPECTS OF THE LOANS PROGRAM.
10 AND REALLY EVERY TIME WE SIT DOWN WITH A COMPANY TO
11 LOOK AT THE LOANS, IT BECOMES A SORT OF LONG
12 DIALOGUE ABOUT, WELL, THIS IS VERY DIFFICULT FOR US
13 TO ACCEPT AND SO FORTH.

14 SO IN MANY RESPECTS I THINK IT WOULD BE A
15 LOT EASIER AND SIMPLER IF THEY WOULD BE PREPARED TO
16 TAKE GRANTS. AND YOU'RE PROBABLY AWARE THAT THE
17 DECISION OF THE ICOC WAS TO AWARD LOANS TO COMPANIES
18 WHERE THE QUANTUM WAS MORE THAN \$3 MILLION. AND I
19 ACTUALLY THINK THAT THAT IN ITSELF IS A BARRIER IF
20 THE COMPANIES HAVE PROBLEMS. IT'S NOT THAT THE
21 COMPANIES ALSO HAVE SOME PROBLEMS WITH GRANTS
22 BECAUSE OF THE IP ISSUES THAT ARE EMBEDDED IN THE
23 GRANTS. BUT STILL, THEY STILL HAVE MANY PROBLEMS
24 WITH THE LOANS.

25 SO WE'RE TRYING TO RATIONALIZE THIS, JIM,

BARRISTERS' REPORTING SERVICE

1 AND TRYING TO GET AN APPROPRIATE PROCESS. AND IN
2 MANY WAYS MY OWN PERSONAL VIEW IS TO TRY AND MAKE IT
3 A LOT SIMPLER THAN CURRENTLY TRYING TO NEGOTIATE
4 YOUR WAY THROUGH THE LOANS WHERE COMPANIES HAVE A
5 VERY BIG RANGE OF ISSUES AND THEY'RE ALL DIFFERENT.
6 PRIMARILY THEY'RE ALL DIFFERENT, BUT FREQUENTLY
7 THEY'RE ASSOCIATED WITH THE WARRANTS.

8 MEMBER LIPSON: THE QUESTION IS HOW IS A
9 COMPANY SELECTED? AND HOW DO WE MAKE SURE THERE'S
10 NO CONFLICT IN THE SELECTION OF THE COMPANY VERSUS
11 ANOTHER COMPANY, FOR EXAMPLE, AS FAR AS MAKING LOANS
12 OR GRANTS OR WHATEVER?

13 DR. TROUNSON: THEY TAKE EXACTLY THE SAME
14 PROCEDURE. THEY'RE WITHIN THE SAME RFA AS A
15 NOT-FOR-PROFIT. SO THEY UNDERGO EXACTLY THE SAME
16 REVIEW FROM THE SAME REVIEW TEAM AS THE
17 NOT-FOR-PROFIT ENTITIES. SO THEY'RE SCORED ON THE
18 VALUE OF THEIR SCIENCE ON THE PROPOSAL. THAT'S
19 SCORED BY 15 SCIENTISTS FROM THE GRANTS REVIEW TEAM.
20 AND THEN FINALLY THE RECOMMENDATIONS FROM THE GRANTS
21 REVIEW IS A COMBINATION OF THE PATIENT ADVOCATES,
22 SEVEN PATIENT ADVOCATES, TOGETHER WITH THOSE
23 REVIEWERS MAKE THE RECOMMENDATIONS ON THE BEST
24 PROPOSALS PRIMARILY SCIENTIFIC, BUT AT TIMES
25 ADJUSTED BY PROGRAMMATIC ISSUES GOING FORWARD.

BARRISTERS' REPORTING SERVICE

1 SO IT ESSENTIALLY DOESN'T REALLY ENTER THE
2 DISCUSSION WHETHER IT'S A COMPANY OR A
3 NOT-FOR-PROFIT ORGANIZATION. IT'S REALLY ABOUT THE
4 VALUE OF THE PROPOSAL GOING FORWARD IN THAT
5 PARTICULAR RFA.

6 MEMBER LIPSON: WELL, BUT COMPANIES ARE A
7 LITTLE BIT DIFFERENT FROM SCIENTIFIC NOT-FOR-PROFIT
8 INSTITUTIONS. AND THE REGULATIONS AND THE PAYBACKS,
9 ALL SORTS OF THINGS HAVE TO BE TAKEN INTO ACCOUNT,
10 IF I'M NOT MISTAKEN.

11 DR. TROUNSON: WELL, I THINK IF THEY HAVE
12 A LOAN, AND THERE ARE RATHER FEW LOANS THAT HAVE
13 BEEN MADE, THOSE LOANS HAVE BEEN IDENTIFIED AND THE
14 PARAMETERS SURROUNDING THOSE LOANS HAVE REALLY BEEN
15 DESCRIBED AND ARE AVAILABLE ON OUR WEBSITE. BUT
16 THEY'RE DIFFERENT TO GRANTS, YES. BUT I THINK THAT
17 WAS THE POINT THAT I WAS MAKING. THESE LOANS ARE
18 SOMETIMES DIFFICULT TO -- IT'S REALLY ABOUT
19 NEGOTIATING WITH THE COMPANIES TO FIND AN ACCEPTABLE
20 PROGRAM FOR THEIR LOAN. AND IN SOME RESPECTS I
21 THINK IT WOULD BE EASIER IF THEY'RE ALL UNDER
22 GRANTS.

23 THERE ARE NO PARTICULAR PAYBACKS EXCEPT
24 FOR THE BENEFITS THAT ARISE OUT OF GRANTS, THEREBY
25 INTELLECTUAL PROPERTY WHICH IS TRACKED. AND UNDER

BARRISTERS' REPORTING SERVICE

1 COMMERCIALIZATION, THE STATE WOULD BE AWARDED THE
2 BENEFITS AS DESCRIBED UNDER THE GRANTS IRRESPECTIVE
3 OF WHETHER THEY'RE A COMPANY OR A NOT-FOR-PROFIT
4 INSTITUTION.

5 CHAIRMAN CHIANG: HOW DO YOU THINK ABOUT
6 THE PAYBACK RATE? YOU SAID THERE'S NOT NECESSARILY
7 A PAYBACK. I'M JUST TRYING TO GET A SENSE OF WHAT
8 THESE LOANS, IS THERE ANY ESTABLISHED CRITERIA? IF
9 THERE'S NOT ANY ESTABLISHED CRITERIA, HOW DO YOU
10 THINK ABOUT THE PAYBACK RATE?

11 DR. TROUNSON: WELL, THE PAYBACK RATE IS
12 ESSENTIALLY THE LOAN PLUS AN INTEREST. AND THAT
13 PART OF IT, YOU KNOW, IS A REASONABLE COMPONENT. SO
14 THE LOAN PLUS AN INTEREST OVER THE TIME. THE
15 WARRANTS WERE INCLUDED IN ORDER TO ACCOMMODATE FOR
16 THE RAPID EXPANSION OF THE COMPANY WHERE IT WAS
17 DOING PARTICULARLY WELL IN THAT COMMERCIALIZATION
18 PROGRAM. BUT THERE'S ALWAYS THE POSSIBILITY THAT
19 YOUR WARRANTS WILL GET DILUTED DOWN ANYWAY AS THE
20 PROCESS MOVES FORWARD.

21 SO I ACTUALLY THINK IT'S A BETTER PROSPECT
22 FOR US TO HAVE GRANTS RATHER THAN LOANS IN THE
23 LONGER TERM, BUT IT WAS THOUGHT TO BE A VERY VIABLE
24 WAY TOWARDS EVERGREENING THE INSTITUTION SOME YEARS
25 AGO. AND I'M NOT SURE THAT THAT'S BEING

BARRISTERS' REPORTING SERVICE

1 DEMONSTRATED. WE WOULD NEED A MUCH LARGER QUANTUM
2 OF LOANS TO MAKE THAT VIABLE.

3 MR. HARRISON: JUST TO FOLLOW UP ON THE
4 QUESTION REGARDING GIFTS. I DOUBLE-CHECKED THE
5 POLICY. AS I MENTION, IT DOES PROHIBIT CIRM FROM
6 ACCEPTING GIFTS FROM INDIVIDUALS AND INSTITUTIONS
7 THAT EITHER HAVE APPLIED FOR CIRM FUNDING OR THAT
8 INTEND TO APPLY. AND ONE OF THE REQUIREMENTS OF THE
9 GIFT POLICY IS THAT THE DONOR SIGN A LETTER OF
10 COMMITMENT IN WHICH THE DONOR ATTESTS TO THE FACT
11 THAT THE DONOR HAS NOT APPLIED FOR CIRM FUNDING AND
12 DOES NOT INTEND TO APPLY FOR CIRM FUNDING IN THE
13 FUTURE.

14 CHAIRMAN CHIANG: SO THAT'S VAGUE. BUT
15 JUST AN APPLICATION. SO SOMEBODY DOESN'T HAVE
16 ANYTHING IN THE PIPELINE RIGHT NOW. DO WE HAVE A
17 TIME CERTAIN DESIGNATION INTO THE FUTURE?

18 MR. HARRISON: WELL, I THINK THE LETTER OF
19 COMMITMENT IMPOSES NO TIME LIMIT WHATSOEVER. IN
20 OTHER WORDS, THE DONEE CONFIRMS THAT IT WILL NOT
21 APPLY FOR CIRM FUNDING. SO PRESUMABLY IF WE HAD A
22 SITUATION WHERE A DONOR, NOTWITHSTANDING THAT LETTER
23 OF COMMITMENT, TRIED TO APPLY FOR CIRM FUNDING, WE
24 WOULD IDENTIFY THAT AS A VIOLATION OF THE LETTER OF
25 COMMITMENT.

BARRISTERS' REPORTING SERVICE

1 CHAIRMAN CHIANG: HAVE YOU COMPLETED YOUR
2 REMARKS?

3 DR. PLUNKETT: YEAH. JUST PUT UP THE
4 SLIDE HERE FOR THE NEXT AGENDA ITEM, 6C. ANY OTHER
5 QUESTIONS, THOUGH, ON THE CURRENT FISCAL YEAR?

6 CHAIRMAN CHIANG: ACTUALLY BACK TO MR.
7 HARRISON'S LINE. SO HOW DO YOU DIFFERENTIATE
8 BETWEEN AN INDIVIDUAL AFFILIATED WITH A COMPANY OR
9 ORGANIZATION AND THE COMPANY/ORGANIZATION ITSELF?

10 MR. HARRISON: WELL, FOR PURPOSES OF
11 GIFTS, THUS FAR IT HAS NOT BEEN AN ISSUE. THE GIFTS
12 POLICY HAS A PROCEDURE WHEREBY THE EXECUTIVE
13 COMMITTEE OF THE AGENCY HAS THE AUTHORITY TO ACCEPT
14 GIFTS IN A CERTAIN RANGE. IT'S REQUIRED, THEN, TO
15 REPORT THE DONOR OF THOSE GIFTS TO THE BOARD AT THE
16 BOARD'S NEXT MEETING. GIFTS OVER A CERTAIN LEVEL
17 REQUIRE BOARD APPROVAL AT A PUBLIC MEETING. WE HAVE
18 NOT YET HAD AN INSTANCE WHERE WE'VE HAD AN
19 INDIVIDUAL MAKE A GIFT WHO HAS BEEN ASSOCIATED IN
20 ANY WAY WITH A FUNDING APPLICATION. AS I SAID, MOST
21 OF THE GIFTS HAVE COME FROM PRIVATE FAMILY
22 FOUNDATIONS, NOT FROM INDIVIDUALS. SO IT HASN'T
23 BEEN AN ISSUE.

24 MEMBER LIPSON: BUT YOU COULD HAVE AN
25 INDIVIDUAL THAT WAS A MAJOR STOCKHOLDER IN A COMPANY

BARRISTERS' REPORTING SERVICE

1 WHO WOULDN' T BE PART OF THE APPLICATION WHO COULD
2 GIVE A GIFT WITH THE INTENT OF CURRYING FAVOR.

3 MR. HARRISON: WELL, I SUPPOSE THAT WOULD
4 BE THEORETICALLY POSSIBLE, BUT REMEMBER THE WAY WE
5 REVIEW APPLICATIONS AT THE BOARD LEVEL IS ON A BLIND
6 BASIS. BOARD MEMBERS ARE PROVIDED WITH A PUBLIC
7 ABSTRACT OF THE APPLICATION. IT DOES NOT IDENTIFY
8 THE INSTITUTION, WHETHER IT'S A COMPANY OR AN
9 ACADEMIC INSTITUTION, NOR DOES IT IDENTIFY THE
10 PRINCIPAL INVESTIGATOR. IT'S A SUMMARY OF THE
11 PROPOSAL, A SUMMARY OF THE GRANTS WORKING GROUP'S
12 REVIEW OF THAT PROPOSAL. AND THE DISCUSSION OF THE
13 APPLICATION OCCURS ONLY IN REFERENCE TO THE
14 APPLICATION NUMBER.

15 SO GENERALLY BOARD MEMBERS DON'T KNOW WHO
16 THE APPLICANT IS WHEN THEY MAKE A DECISION WHETHER
17 OR NOT TO FUND. SO THE FACT THAT A STOCKHOLDER IN A
18 COMPANY MIGHT MAKE A DONATION TO CIRM AS A WAY TO
19 ATTEMPT TO INFLUENCE THE BOARD WOULD NOT BE A VERY
20 EFFECTIVE MEANS OF DOING SO.

21 MEMBER LIPSON: THAT'S UNLESS YOU'RE
22 PUTTING IN GRANTS THAT ARE SPECIFIC ENOUGH YOU CAN
23 IDENTIFY THE PRINCIPAL INVESTIGATOR OR THE
24 INVESTIGATION GROUP.

25 MR. HARRISON: I SUPPOSE THAT MIGHT

BARRISTERS' REPORTING SERVICE

1 CONCEIVABLY BE POSSIBLE. BUT REMEMBER IN MANY OF
2 THESE ROUNDS, THERE ARE 50, 60 APPLICATIONS. SO I
3 THINK IT WOULD BE VERY DIFFICULT TO DETERMINE THE
4 PROVENANCE OF ANY PARTICULAR APPLICATION AMONG THAT
5 GROUP.

6 WE HAVE SET IN PLACE VERY RIGOROUS
7 CONFLICT OF INTEREST POLICIES AND PROCEDURES. THEY
8 GO ABOVE AND BEYOND WHAT STATE LAW REQUIRES. AND WE
9 ENFORCE THEM VERY RIGOROUSLY, AND THE BLIND REVIEW
10 IS PART OF THAT. OBVIOUSLY NO ORGANIZATION CAN
11 COMPLETELY ELIMINATE THE POSSIBILITY OF THE
12 POTENTIAL FOR CONFLICTS OF INTEREST; BUT FROM MY
13 PERSPECTIVE, THE AGENCY HAS DONE A VERY GOOD JOB AT
14 SETTING UP POLICIES AND PROCEDURES THAT DO AS MUCH
15 AS POSSIBLE TO PROTECT AGAINST THOSE SORTS OF ISSUES
16 ARISING.

17 MEMBER LOTT: MAY I ASK THIS QUESTION? I
18 DID SOME RESEARCH ON THE INTERNET. THAT'S A
19 DANGEROUS THING TO DO. ONE OF YOUR CRITICS, DAVID
20 JENSEN, I'M SURE YOU KNOW HIM, TWO YEARS AGO THIS
21 MONTH WROTE IN SOME TESTIMONY TO YOU, I DON'T KNOW
22 WHAT THE FORUM WAS, BUT I'M JUST GOING TO READ THIS
23 QUOTE AND SEE WHAT YOUR RESPONSE WAS THEN AND WHERE
24 WE ARE NOW.

25 HE SAID THEN THAT TODAY \$1.1 BILLION OF

BARRISTERS' REPORTING SERVICE

1 THE 1.2 BILLION IN CIRM FUNDING SO FAR HAS GONE TO
2 INSTITUTIONS TIED TO MEMBERS OF THE CIRM GOVERNING
3 BOARD. I DON'T REMEMBER. WHAT WAS THE RESPONSE TO
4 THAT THEN, AND HOW WOULD THAT BE DESCRIBED TODAY?

5 MR. HARRISON: I DON'T KNOW WHAT THE
6 RESPONSE WAS AT THAT TIME. BUT ONE OF THE THINGS
7 YOU HAVE TO BEAR IN MIND IS THAT THE DESIGN OF THE
8 BOARD WAS TO DRAW UPON PEOPLE WITH EXPERTISE IN
9 PARTICULAR AREAS, INCLUDING MANAGING LARGE RESEARCH
10 PORTFOLIOS. SO THE DESIGN OF THE LAW DRAWS PEOPLE
11 FROM INSTITUTIONS.

12 MEMBER LOTT: I UNDERSTAND THAT, BUT YOUR
13 CONFLICT OF INTEREST POLICY, HOW DOES IT ADDRESS
14 THAT? HOW DO YOU MANAGE THAT WITH THE BOARD?

15 MR. HARRISON: CERTAINLY. FIRST OF ALL,
16 PRIOR TO ANY REVIEW OF APPLICATIONS BY THE BOARD,
17 BOARD MEMBERS ARE SENT A LIST, NOT IDENTIFIED WITH
18 ANY PARTICULAR APPLICATION, BUT A LIST OF
19 INSTITUTIONS AND INVESTIGATORS WHO WOULD RECEIVE
20 FUNDING FROM THE APPLICATION IF IT WAS APPROVED BY
21 THE BOARD. THEY GO THROUGH THE LIST AND INDICATE
22 THOSE INDIVIDUALS AND INSTITUTIONS WITH WHOM THEY
23 HAVE ANY KIND OF FINANCIAL RELATIONSHIP.

24 STAFF THEN TAKES THAT DATA, REVIEWS THE
25 MEMBER STATEMENTS OF ECONOMIC INTEREST TO SEE IF

BARRISTERS' REPORTING SERVICE

1 ANYTHING WAS OVERLOOKED, AND PROVIDES THE MEMBERS
2 WITH A LIST PRIOR TO EACH MEETING THAT IDENTIFIES BY
3 APPLICATION NUMBER THOSE APPLICATIONS IN WHICH THEY
4 HAVE AN INTEREST. THE MEMBERS ARE DIRECTED THAT
5 THEY ARE PROHIBITED FROM PARTICIPATING IN AND
6 DISCUSSING OR VOTING ON AN APPLICATION THAT'S
7 IDENTIFIED ON THEIR LIST.

8 SO MEMBERS ARE ABSOLUTELY BARRED FROM
9 PARTICIPATING IN ANY DISCUSSION IF THEIR EMPLOYER
10 SUBMITS AN APPLICATION. AND WHEN WE DO A ROLL CALL
11 VOTE ON A PARTICULAR APPLICATION, THOSE MEMBERS WHO
12 HAVE A CONFLICT OF INTEREST ARE NOT CALLED. THEY
13 DON'T VOTE AT ALL.

14 MEMBER LOTT: LET ME TAKE IT A LITTLE BIT
15 FURTHER. I SERVE ON A COUPLE OF BOARDS. ONE OF THE
16 BOARDS THAT I SERVED ON, THAT I STILL DO SERVE ON,
17 HAS A CONFLICT OF INTEREST POLICY THAT GOES A LITTLE
18 BIT BEYOND STATE LAW AS WELL. THEY TAKE IT ALL THE
19 WAY OUT TO GRANDCHILDREN, IF YOUR GRANDCHILDREN HAS
20 ANY, WHICH I THINK TAKES IT A LITTLE BIT TOO FAR
21 PERSONALLY. HOW FAR ABOVE STATE LAW DO WE GO HERE?

22 MR. HARRISON: ON A COUPLE OF DIFFERENT
23 LEVELS, THE AGENCY GOES BEYOND STATE LAW. LET ME
24 JUST HIGHLIGHT A COUPLE. WITH RESPECT TO BOARD
25 MEMBERS, THEY'RE PRECLUDED FROM EVER RECEIVING ANY

BARRISTERS' REPORTING SERVICE

1 SALARY SUPPORT THROUGH A CIRM GRANT. IN TERMS OF
2 THEIR FAMILY, UNDER STATE LAW IT'S LIMITED TO
3 IMMEDIATE FAMILY, AND THE BOARD HAS NOT ADOPTED A
4 POLICY THAT GOES BEYOND THAT.

5 FOR STAFF, THEY'RE PRECLUDED FROM HOLDING
6 FINANCIAL INTEREST IN A COMPANY THAT DEVOTES MORE
7 THAN 5 PERCENT OF ITS BUDGET TO STEM CELL RESEARCH.
8 THEY SIMPLY CAN'T HAVE THOSE INTERESTS AS PART OF
9 THEIR INVESTMENT PORTFOLIOS. WITH RESPECT TO THE
10 WORKING GROUPS, THE EXPERT GROUPS THAT PROVIDE
11 RECOMMENDATIONS AND ADVICE TO THE AGENCY, WE SCREEN
12 NOT ONLY FOR FINANCIAL INTEREST, BUT WE ALSO SCREEN
13 FOR PROFESSIONAL AND PERSONAL INTEREST.

14 SO, FOR EXAMPLE, IF YOU ARE A MEMBER OF
15 OUR GRANTS WORKING GROUP AND YOU'VE CO-AUTHORED A
16 PUBLICATION WITH AN INVESTIGATOR WHO SUBMITS AN
17 APPLICATION TO CIRM WITHIN THE LAST THREE YEARS,
18 YOU'RE PRECLUDED FROM PARTICIPATING IN THE REVIEW OF
19 THAT APPLICATION. OR IF YOU HAVE A LONG-STANDING
20 PUBLIC PERSONAL DISPUTE WITH THE INDIVIDUAL, YOU'RE
21 PRECLUDED FROM PARTICIPATING IN THAT REVIEW, AND YOU
22 HAVE TO LEAVE THE ROOM WHEN THE APPLICATION IS
23 DISCUSSED. THAT GOES WELL BEYOND STATE LAW, WHICH,
24 OF COURSE, ONLY DEALS WITH FINANCIAL CONFLICTS OF
25 INTEREST.

BARRISTERS' REPORTING SERVICE

1 SO AT EACH LAYER OF THE PROCESS, FROM THE
2 BOARD TO THE STAFF TO THE WORKING GROUP, WE HAVE
3 REQUIREMENTS THAT GO BEYOND STATE LAW.

4 MEMBER LOTT: THAT'S HELPFUL.

5 MEMBER LIPSON: EXCUSE ME THOUGH. BY
6 GIVING NUMBERS OF THE GRANT BEING REVIEWED TO THE
7 VARIOUS PEOPLE, LIKE A DEAN OF A MEDICAL SCHOOL, THE
8 OTHER PEOPLE ON THE BOARD WILL KNOW THAT CAME
9 POTENTIALLY FROM THAT INSTITUTION AND, THEREFORE,
10 KNOW WHO'S DOING STEM CELL RESEARCH AT THAT
11 INSTITUTION. AND, THEREFORE, YOU'RE TELLING THEM
12 WHO'S PERHAPS APPLYING.

13 MR. HARRISON: WELL, I WOULD RESPECTFULLY
14 DISAGREE FOR THE FOLLOWING REASON. WE DO A ROLL
15 CALL VOTE ON APPLICATIONS THAT ARE THE SUBJECT OF A
16 PARTICULAR MOTION. AND IF A MEMBER HAS AN INTEREST,
17 AND REMEMBER THIS IS A 29-MEMBER BOARD, WE SIMPLY
18 DON'T CALL THAT MEMBER'S NAME WHEN WE GO THROUGH THE
19 ROLL CALL. SO IT WOULD BE DIFFICULT, I THINK, GIVEN
20 THE SPEED WITH WHICH ROLL CALLS ARE TAKEN AND THE
21 SIZE OF THE BOARD, FOR SOMEONE TO FIGURE OUT, WELL,
22 DR. PIZZO FROM STANFORD WASN'T CALLED AND,
23 THEREFORE, THIS MUST COME FROM STANFORD.

24 REMEMBER THERE ARE A VARIETY OF REASONS
25 THAT AN INDIVIDUAL MIGHT RECUSE THEMSELVES ASIDE

BARRISTERS' REPORTING SERVICE

1 FROM THE FACT THAT IT'S AN APPLICATION SUBMITTED BY
2 HIS EMPLOYER. MAYBE HE GAVE A SPEECH AT ANOTHER
3 INSTITUTION AND RECEIVED COMPENSATION FOR IT. MAYBE
4 HE'S DECIDED TO ABSTAIN FOR SOME OTHER REASON. SO I
5 THINK IT WOULD ACTUALLY BE FAIRLY DIFFICULT IN MOST
6 INSTANCES FOR A PERSON TO FIGURE THAT OUT.

7 MEMBER LIPSON: PERHAPS.

8 MEMBER BRUNNER: MR. CHAIRMAN, I HAVE A
9 QUESTION. GETTING BEYOND THE CONCEPTUAL AND
10 POTENTIAL FOR CONFLICT, HAVE THERE BEEN ANY ACTUAL
11 ALLEGATIONS OF A CONFLICT OR ALLEGATIONS OF
12 CONFLICTS? AND IF SO, WHAT HAVE THEY HAVE BEEN AND
13 WHAT'S BEEN THE DISPOSITION OF THOSE?

14 MR. HARRISON: SURE. WE HAVE HAD ONE
15 INSTANCE IN WHICH A COMPLAINT WAS FILED AGAINST A
16 MEMBER OF THE BOARD RELATING TO A TELEPHONE CALL
17 THAT HE MADE AFTER THE BOARD HAD APPROVED AN AWARD
18 TO HIS INSTITUTION. HE ACKNOWLEDGED THAT HE HAD
19 MADE A MISTAKE. THE MATTER WAS REFERRED TO THE FAIR
20 POLITICAL PRACTICES COMMISSION, WHICH ULTIMATELY
21 SENT HIM A WARNING LETTER, AND THE MATTER WAS
22 DISPOSED OF IN THAT FASHION.

23 WE HAVE HAD ANOTHER INSTANCE WHERE,
24 THROUGH A MISTAKE IN A COMMUNICATION BY STAFF, WE
25 HAD MEMBERS WHO ARE MEMBERS OF THE BOARD WHO SIGNED

BARRISTERS' REPORTING SERVICE

1 LETTERS OF INSTITUTIONAL COMMITMENT WHICH WERE PART
2 OF AN APPLICATION PACKAGE THAT WAS SUBMITTED. WHEN
3 THIS CAME TO OUR ATTENTION, WE DISQUALIFIED THOSE
4 APPLICATIONS TO PREVENT ANY CONFLICT FROM ACTUALLY
5 ARISING.

6 WE HAVE ALSO HAD OCCASION WHERE WE HAVE
7 HAD A CONFLICT OF A VERY TECHNICAL NATURE ON THE
8 GRANTS WORKING GROUP WHICH WE ADDRESSED PURSUANT TO
9 OUR PROCEDURE AND REPORTED TO THE LEGISLATURE.

10 MEMBER BRUNNER: THANK YOU.

11 DR. PLUNKETT: SO I THINK THAT'S ALL OF
12 THE HISTORICAL AND BACKWARD-LOOKING INFORMATION
13 WHICH WE HAVE FOR YOU THIS MORNING. I'LL ASK DR.
14 TROUNSON TO GIVE YOU A PICTURE OF WHERE WE ARE
15 TODAY, AND THAT WILL HELP TO FRAME SOME OF THE
16 FORWARD-LOOKING THINGS, LIKE THE DISCUSSION OF THE
17 TRANSITION PLAN, WHICH OUR CHAIR WILL GET TO NEXT.

18 DR. TROUNSON: THANK YOU VERY MUCH,
19 COMMITTEE. SO THIS IS THE FUNDING TRAJECTORY. IF
20 YOU SEE THAT THE FIRST AWARDS WERE MADE TOWARDS THE
21 END OF 2006. SO THE GREEN BAR IS THE QUANTUM OF
22 DOLLARS THAT HAVE BEEN ALLOCATED. AND YOU CAN SEE
23 THERE AROUND 2008, 2009 IS THE TIME WHEN WE
24 CONTRIBUTED 277 MILLION TOWARDS THE DEVELOPMENT OF
25 THE NEW FACILITIES. AND I'VE ACTUALLY PUT IN ALONG

BARRISTERS' REPORTING SERVICE

1 THAT TIME FRAME SOME OF THE IMPORTANT ELEMENTS OF
2 THE DEVELOPMENT OF THE ORGANIZATION.

3 AND IT'S REALLY NOW IN THE LAST YEAR AND A
4 HALF THAT WE'VE MOVED BEYOND FUNDING THE
5 INFRASTRUCTURE, THE CAPACITY IN CALIFORNIA TOWARDS
6 FUNDING THE TRANSLATION AND THE EARLY CLINICAL
7 STUDIES.

8 SO WE'RE ACTUALLY MOVING PRETTY QUICKLY.
9 SO IF YOU LOOK AT THE CONTRIBUTIONS IN THE VARIOUS
10 AREAS, WE HAVE THE FACILITIES SHOWN UP THERE IN THE
11 ORANGE BAR THAT GOES RIGHT ACROSS THE PANEL FROM THE
12 BASIC RESEARCH TO THE CLINICAL END, THE PIPELINE.
13 THE INFRASTRUCTURE ON THE INTELLECTUAL ARE THE
14 PEOPLE, THE AWARDS TO CRITICAL PEOPLE, THE SEED
15 AWARDS BRINGING IN CRITICAL PEOPLE, PROVIDING THEM
16 WITH GRANTS TO GET PRIMARILY THE BASIC RESEARCH AND
17 THE EARLY TRANSLATIONAL WORK FUNDED. AND THEN
18 FUNDAMENTAL INFRASTRUCTURE IS THE BASIC SCIENCE
19 AWARDS THAT HAVE BEEN MADE. YOU CAN SEE, THEN, ON
20 THE BOTTOM WE'VE STARTED TO FUND THE TRANSLATIONAL
21 AND EARLY CLINICAL AWARDS IN THIS LAST YEAR.

22 SO LOOKING AT THE MAJOR MILESTONES FOR THE
23 ORGANIZATION, THERE ARE OVER 450 AWARDS THAT HAVE
24 BEEN MADE TO 59 CALIFORNIA ENTITIES. THEY'RE BOTH
25 INSTITUTIONS AND COMPANIES. \$1.3 BILLION IN GRANTS

BARRISTERS' REPORTING SERVICE

1 THAT ARE ALLOCATED ALREADY AT THIS TIME. TWELVE
2 INTERNATIONAL COLLABORATION FUNDING AGREEMENTS ARE
3 IN PLACE WITH OTHER COUNTRIES, AND AGREEMENTS WITH
4 FOUR U.S. STATES AND FOUNDATIONS HAVE BEEN
5 ESTABLISHED. THAT INCLUDES JUST RECENTLY THE
6 NATIONAL INSTITUTES OF HEALTH.

7 SO WE'RE WORKING COLLABORATIVELY WITH
8 THESE GROUPS, AND THEY ARE PROVIDING ADDITIONAL
9 FUNDS TO OUR FUNDS. THEY'VE AGREED TO PROVIDE OVER
10 138 MILLION. IN ACTUALS 60 MILLION HAS COME ALREADY
11 FROM THOSE COLLABORATIVE PROJECTS. THERE ARE 19 OF
12 THEM AND SOME OTHERS THAT ARE IN PLACE. THIS
13 INCLUDES THE EUROPEAN, ASIAN SECTOR, JAPAN, CHINA,
14 EUROPE, BRITAIN, GERMANY, FRANCE, SPAIN, AND SO ON.

15 SO THIS IS A NETWORK THAT WE'VE SET UP
16 THAT'S REALLY ENABLING OUR SCIENTISTS TO PERFORM AT
17 THE VERY HIGHEST LEVEL. YOU WILL NOTE THAT WE'VE
18 GOT OVER A THOUSAND PUBLICATIONS WHICH IS AN
19 INCREDIBLE NUMBER OF PUBLICATIONS IN THE SCIENTIFIC
20 LITERATURE FROM THE WORK THAT WE'VE SUPPORTED.
21 IMPORTANTLY, 30 PERCENT, 29, 30 PERCENT ARE IN WHAT
22 WE CALL THE HIGH IMPACT FACTOR JOURNALS. SO THESE
23 ARE THE IMPACT FACTOR JOURNALS ABOVE TEN. SO THE
24 ONES THAT REALLY HAVE THE PRIMARY MEANING IN THE
25 WHOLE FIELD, IN THE WHOLE FIELD OF SCIENCE. SO

BARRISTERS' REPORTING SERVICE

1 WE'RE ACTUALLY HAVING A VERY DOMINANT EFFECT IN
2 WORLD STEM CELL RESEARCH.

3 THERE HAVE BEEN OVER A HUNDRED NEW STEM
4 CELL RESEARCHERS THAT HAVE COME TO CALIFORNIA, AND
5 THEY'VE BROUGHT WITH THEM A CONSIDERABLE AMOUNT OF
6 MONEY EACH TIME THEY COME. THESE ARE PEOPLE WHO
7 HAVE NIH AWARDS OR OTHER AWARDS FROM OTHER FUNDING
8 BODIES THAT HAVE COME INTO CALIFORNIA. AND WE
9 SHOULD BE ABLE TO QUANTITATE THAT IN DUE COURSE VERY
10 ACCURATELY FOR YOU. WE HAVE 45 TRANSLATIONAL
11 PROJECTS MOVING TOWARDS THE CLINIC. THERE HAVE BEEN
12 THREE CLINICAL TRIALS ACHIEVED ALREADY, AND ONE OF
13 THOSE IS OUT IN PHASE III. THE OTHERS ARE IN PHASE
14 II, AND THESE HAVE ALREADY GONE TO THE
15 PHARMACEUTICAL INDUSTRY. SO HOPEFULLY IN DUE COURSE
16 THE STATE WILL BENEFIT FROM THE DEVELOPMENTS IN
17 THOSE AREAS.

18 AND WE HAVE 14 DISEASE TEAMS OF
19 PRECLINICAL AWARDED PROJECTS WHICH HAVE UP TO \$20
20 MILLION IN GRANT MONEY FROM US, PLUS OTHER GRANTING
21 FROM OUR COLLABORATIVE FUNDING PARTNERS THAT ARE
22 KEYED IN TO GET AN AWARD OR REGISTRATION AWARD OF A
23 CLINICAL TRIAL WITHIN A FOUR-YEAR TIME FRAME. SO
24 THERE ARE SEVERAL WHICH WE EXPECT TO GO TO CLINICAL
25 TRIAL THIS COMING YEAR, THIS YEAR OR NEXT YEAR.

BARRISTERS' REPORTING SERVICE

1 WE HAD A FIRST HUMAN EMBRYONIC STEM CELL
2 CLINICAL TRIAL FUNDED IN SPINAL CORD INJURY.
3 UNFORTUNATELY THE COMPANY DECIDED TO DROP THEIR STEM
4 CELL PROGRAM AND CONCENTRATE ON THE CANCER PROGRAM.
5 THIS WAS VERY UNFORTUNATE. WE'RE STILL HOPING THAT
6 PROJECT WILL BE PICKED UP BY ANOTHER ENTITY, BUT WE
7 HAVE TO WAIT TO SEE IF THAT IS GOING TO HAPPEN.

8 WE'VE BEEN WORKING VERY INTENSELY WITH THE
9 FDA TO ENSURE THAT THIS PATHWAY, THE LEARNING IN
10 THIS PATHWAY IS PASSED ON TO ALL OUR PROGRAMS THAT
11 ARE GOING.

12 SO IN TERMS OF THE FIVE-YEAR GOALS, WHICH
13 I THINK WAS -- THESE WERE SET UP IN OUR STRATEGIC
14 PLAN. I WANTED TO TELL YOU THAT WE'VE REALLY
15 BASICALLY MET ALL OF THESE. AND THE FIRST ONE, CIRM
16 GRANTEES HAD SIX THERAPIES BASED ON STEM CELL
17 RESEARCH IN PRECLINICAL DEVELOPMENT. THESE ARE THE
18 14 DISEASE TEAMS. AND FOUR PROJECTS WITH
19 THERAPEUTIC CANDIDATES ARE IN PRECLINICAL
20 DEVELOPMENT. AND SIX OF THEM ARE ON TRACK TO BEGIN
21 IND-ENABLING PRECLINICAL DEVELOPMENT BY THE END OF
22 2012, SOMEWHERE IN 2013. AND AS I SAID, THERE ARE
23 THREE OTHERS THAT HAVE ALREADY GONE THERE FROM THE
24 BASIC SCIENCE. SO WE'VE ESSENTIALLY MET THAT GOAL
25 PRETTY WELL.

BARRISTERS' REPORTING SERVICE

1 CIRM GRANTEES ARE DEVELOPING METHODS FOR
2 MAKING STEM CELL LINES. WE'VE DONE THAT PLUS.
3 WE'VE MET THAT GOAL EASILY.

4 THE THIRD GOAL, GRANTEES WILL HAVE
5 SUCCESSFULLY CREATED DISEASE-SPECIFIC STEM CELL
6 LINES WITH FOUR DISEASES. WE'VE DONE THAT MUCH
7 MORE. WE'VE GOT MANY MORE THAN THOSE FOUR DISEASES
8 DONE.

9 GRANTEES WILL HAVE DEVELOPED METHODS FOR
10 GROWING STEM CELLS. WE'VE DONE. THAT'S ALREADY
11 DONE. CIRM WILL ENABLE ESTABLISHMENT OF A STEM CELL
12 BANK. CELL LINES HAVE BEEN DEVELOPED AND THE RFA
13 CONCEPT HAS BEEN APPROVED BY THE BOARD AT THE END OF
14 LAST YEAR, SO WE EXPECT TO GET THAT DONE THIS YEAR.
15 AND THE INVESTIGATORS WILL HAVE DEMONSTRATED METHODS
16 FOR INDUCING IMMUNE TOLERANCE IN ANIMAL MODELS. WE
17 HAVE 19 STUDIES UNDER WAY FROM AN RFA THAT WAS
18 RELEASED IN 2010, PLUS TEN OTHER STUDIES WHICH HAVE
19 COME FROM OUR BASIC SCIENCE AREA. AND SIX
20 PUBLICATIONS HAVE ALREADY BEEN MADE ON TOLERANCE.

21 IN THE SEVENTH GOAL, WE'LL INCREASE THE
22 WORKFORCE OF STEM CELL RESEARCHERS IN CALIFORNIA.
23 THERE ARE 914 UNDERGRADUATE AND GRADUATE STUDENTS,
24 POSTDOCTORAL FELLOWS, AND CLINICAL FELLOWS THROUGH
25 THE VARIOUS TRAINING GRANTS. A PILOT VERSION OF THE

BARRISTERS' REPORTING SERVICE

1 CREATIVITY AWARDS SUPPORTED ANOTHER 22 HIGH SCHOOL
2 STUDENTS IN THE PROGRAM. AND 45 INVESTIGATORS,
3 THREE MAJOR RESEARCH LEADERSHIP AWARDEES, AND OVER A
4 HUNDRED PRINCIPAL INVESTIGATOR SCIENTISTS MOVED TO
5 CALIFORNIA.

6 SO I THINK WE'RE DOING THAT. WE'LL
7 CONTINUE CLEARLY TO DO THAT. AND WE'RE BRINGING
8 BIOTECH COMPANIES. THE BIOTECH COMPANIES ARE
9 GROWING IN CALIFORNIA. MAJOR NEW COMPANIES ARE
10 RELOCATING TO CALIFORNIA. WE HOPE TO HAVE SOME VERY
11 MAJOR COMPANIES COME IN THIS YEAR, AND EVERYTHING
12 TELLS US THAT THAT'S GOING TO HAPPEN. AND THEY'RE
13 COMING HERE BECAUSE CIRM'S PRESENT. THEY WILL BE
14 BRINGING MANUFACTURING, AND I THINK IT'S GOING TO DO
15 A LOT OF GOOD TO THE CALIFORNIA COMMUNITY.

16 WILL HAVE ESTABLISHED TOOLS FOR TOXICITY
17 TESTING. WE'VE DONE THAT.

18 THE NINTH GOAL WAS CIRM WILL HAVE ENABLED
19 EFFECTIVE PARTNERSHIPS IN STEM CELL RESEARCH BETWEEN
20 SCIENTIFIC TEAMS IN NONPROFIT AND COMMERCIAL
21 SECTORS. WE HAVE TEN MAJOR PROJECTS INVOLVING
22 ACADEMIC AND BIOTECH INDUSTRY COMPANIES. SO WE'RE
23 WELL AND TRULY ON THE WAY THERE. WE'LL GET MORE NOW
24 THAT WE'RE MORE FOCUSED ON THE TRANSLATION AND
25 CLINICAL TRIALS.

BARRISTERS' REPORTING SERVICE

1 AND IN THE LAST, CIRM WILL HAVE
2 ESTABLISHED NATIONAL AND INTERNATIONAL
3 COLLABORATIONS. AS I SAID, WE'VE 18 MOU'S
4 ALTOGETHER WITH INTERNATIONAL AND NATIONAL AGENCIES
5 AND 19 PROJECTS PLUS OTHERS IN REVIEW. \$60 MILLION
6 HAS COME DIRECTLY TO THOSE PROJECTS. SO I THINK
7 THAT'S EFFECTIVE.

8 SO THERE ARE THE PRINCIPAL GOALS, AND I
9 THINK IN THAT FIVE YEARS THAT WE'VE ESSENTIALLY MADE
10 THAT.

11 JUST TO ALERT YOU THE WAY I SEE US REALLY
12 PUSHING ON AT THE MOMENT, WE'RE WANTING TO EMBED
13 STEM CELLS WITH GENOMICS IN A NEW MAJOR RESEARCH
14 PLATFORM. YOU WILL BE INTERESTED, I THINK,
15 CONTROLLER, THAT THE HUMAN GENOME IS RETURNING
16 SOMEWHERE BETWEEN 600 TO \$1400 FOR EVERY ONE DOLLAR
17 INVESTED. SO IF WE CAN MAKE STEM CELLS PRODUCE TENS
18 OF, HUNDREDS OF DOLLARS FOR THAT DOLLAR INVESTMENT,
19 I THINK WE'LL HAVE FELT VERY GOOD ABOUT THIS. I
20 HOPE WE CAN ACHIEVE THAT, BUT EVERYTHING TELLS ME
21 THAT IF YOU LINK TOGETHER WITH GENOMICS, WE WILL
22 ACTUALLY DO THAT VERY EASILY.

23 ESTABLISH CIRM IPS CELL BANK. THE
24 CRITICAL DISEASE IS TELLING US ACTUALLY WHAT HUMAN
25 DISEASE IS RATHER THAN STUDYING THE MOUSE, WHICH IS

BARRISTERS' REPORTING SERVICE

1 A MODEL OF HUMAN DISEASE. WE CAN ACTUALLY NOW STUDY
2 THE HUMAN DISEASE BY TAKING SAMPLES FROM PATIENTS
3 WITHIN A DISEASE POPULATION. THIS IS A HUGE BENEFIT
4 AND SOMETHING THAT WE WANT TO GROW, AND WE'RE GOING
5 TO DO THAT OVER THIS YEAR AND NEXT YEAR.

6 WE WANT TO GROW INDUSTRY OR STRATEGIC
7 PARTNERSHIPS LINKED WITH ACADEMIC AND MEDICINE. AND
8 WE NOW KNOW THAT MAJOR PHARMACEUTICAL COMPANIES WANT
9 TO LINK WITH US, MAJOR BIOTECH COMPANIES WANT TO
10 LINK WITH US TO CO-FUND PARTICULARLY THE MORE
11 CLINICAL END OF THE PROGRAM IN ORDER TO TAKE THESE
12 PROJECTS WHEN THEY PASS THROUGH WHAT WE CALL PHASE
13 II, WHICH IS THE CONCEPT OF INTEREST THAT YOU'VE
14 SHOWN SOME EFFECTIVENESS OF YOUR TREATMENT AT PHASE
15 II, THAT THESE COMPANIES WILL TAKE THESE PROJECTS
16 FORWARD. SO WE'VE GOT A LOT OF INTEREST NOW IN THE
17 STRATEGIC PARTNERING PROCESS, AND WE'RE GOING TO
18 GROW THAT.

19 WE WANT TO ACCELERATE CLINICAL TRIAL
20 EFFECTIVENESS AND COMPETITIVENESS. SO THE STAFF
21 THAT'S NEEDED TO MANAGE THIS END OF THE PROGRAM, THE
22 CLINICAL TRIALS, THE TRANSLATION IS REALLY NOW A
23 BURDEN. IT'S WHAT WE'VE GOT TO REALLY FOCUS ON. SO
24 I'M PUSHING THE ORGANIZATION TO INCREASE THE
25 RESOURCES IN THAT END OF THE SPECTRUM BECAUSE THESE

BARRISTERS' REPORTING SERVICE

1 ARE BIG GRANTS. WE WANT THEM MANAGED WELL FOR THE
2 STATE. SO WE WANT TO PUT PRESSURE ON THE REST OF
3 THE ORGANIZATION BECAUSE WE HAVE TO REMAIN UNDER
4 THAT 6-PERCENT CAP TO ACTUALLY GET THE RESOURCES IN
5 THE MANAGEMENT OF THESE TEAMS. WE NEED TO BE ABLE
6 TO TAKE OUT THE TEAMS THAT ARE NOT PERFORMING, THOSE
7 ONES WITH WHAT WE CALL GO/NO-GO DECISIONS WHERE THEY
8 FAIL WITH A PRINCIPAL COMPONENT OF THEIRS AND THEN
9 THEY HAVE TO BE SENT BACK TO RETHINK THEIR WORK.

10 WE HAVE TO BE ABLE TO DO THAT. AND THAT
11 REALLY COSTS A LOT OF ENERGY AND TIME. AND SO I'LL
12 BE PUTTING PRESSURE ON THE ORGANIZATION TO MAKE SURE
13 WE GET AS MUCH CAPACITY AT THAT END OF THE PIPELINE,
14 IF YOU LIKE.

15 WE WANT TO GROW THE CALIFORNIA
16 BIOTECHNOLOGY INDUSTRY. WHEN I SAY MULTIPLE BILLION
17 DOLLAR COMPANIES, I HOPE WE'LL HAVE A MULTIPLE
18 BILLION DOLLAR COMPANY JOIN CALIFORNIA THIS YEAR.
19 THAT WILL DO A LOT OF GOOD, I THINK, FOR THE STATE.
20 I EXPECT THAT TO HAPPEN.

21 WE WANT TO DEMONSTRATE THE ECONOMIC
22 BENEFITS TO BOND INVESTMENTS IN THIS NEW MEDICINE.
23 LET'S SHOW THE REST OF THE WORLD THAT THIS WAS A
24 REALLY, REALLY GOOD EXAMPLE, A GOOD EXPERIMENT, IF
25 YOU LIKE, AND IT'S ONE THAT'S BEEN REALLY WORTH

BARRISTERS' REPORTING SERVICE

1 CALI FORNIA' S I NVESTMENT.

2 AND EVENTUALLY TO PROVIDE THE PIPELINE IN
3 CLINICAL OPPORTUNITIES FOR TREATING PATIENTS WITH
4 SERIOUS DISEASES AND INJURIES. THAT' S THE GOAL,
5 THAT' S THE END OF THE LINE, THAT' S WHERE WE HAVE TO
6 BE AT THAT POINT IN TIME.

7 SO I HOPE THAT' S HELPFUL, BOARD, JUST TO
8 GIVE YOU A BIT OF A SIGHT INTO WHERE WE' RE PUTTING A
9 LOT OF OUR PRESSURE AND ACTIVITY. THANK YOU VERY
10 MUCH.

11 MEMBER LIPSON: I HAVE A QUESTION.
12 ACTUALLY A COUPLE. NO. 1, HOW MANY ACTUAL PEOPLE
13 HAVE BEEN IN CLINICAL TRIALS?

14 DR. TROUNSON: HOW MANY PEOPLE?

15 MEMBER LIPSON: YES.

16 DR. TROUNSON: DO YOU MEAN ORGANIZATIONS?

17 MEMBER LIPSON: I MEAN HOW MANY --

18 DR. TROUNSON: PATIENTS HAVE BEEN TREATED?
19 I CAN' T TELL -- FROM THOSE THREE CLINICAL TRIALS,
20 I' D HAVE TO GO BACK AND ACTUALLY GET THAT
21 INFORMATION FOR YOU. IN TERMS OF THE GERON STUDY, I
22 CAN TELL YOU THERE WERE SIX PATIENTS INVOLVED IN
23 THAT. AND SO FOR THOSE OTHER STUDIES, I' D HAVE TO
24 GO GET THAT INFORMATION FROM THE RESEARCHERS.

25 MEMBER LIPSON: THOSE SIX PATIENTS AREN' T

BARRISTERS' REPORTING SERVICE

1 GOING THROUGH THE PROCESS ANYMORE; IS THAT CORRECT?

2 DR. TROUNSON: WELL, THEY'VE BEEN TREATED.
3 SO THEY'RE UNDER MANAGEMENT, AND THEY HAVE TO REMAIN
4 UNDER MANAGEMENT BY THE GERON COMPANY TO THE EXTENT
5 WHERE THE FDA REQUIRES THEM TO KEEP VIGILANCE OVER
6 THAT GROUP OF PATIENTS.

7 MEMBER LIPSON: AND THE QUESTION IS HAS
8 ANYTHING LOOKED PROMISING FROM ANY OF THESE SIX, OR
9 WE HAVE ANY IDEA?

10 DR. TROUNSON: THEY WERE SAFETY STUDIES,
11 SO IT WASN'T BUILT TO TRY AND MEASURE BENEFIT TO THE
12 PATIENTS. I THINK THE NEXT STAGE, WHICH IS REALLY
13 THE PHASE II STUDIES, IS WHERE THEY INCREASE THE
14 NUMBER OF CELLS WHERE THEY'D EXPECT AN IMPACT. IN
15 THE SAFETY STUDIES, THEY'RE ONLY ALLOWED TO PUT IN A
16 RAT DOSE. A RAT IS A SMALL ANIMAL. WE'RE A LOT
17 BIGGER. SO WE HAVE TO INCREASE THE NUMBERS OF
18 CELLS. AND SO YOU WOULD EXPECT MAYBE AN IMPACT AS
19 YOU MOVE UP THE SCALE. AND YOU'D SEE THAT IN PHASE
20 II.

21 THERE HAVE BEEN SOME STUDIES THAT WE
22 DIDN'T FUND WHICH HAVEN'T FUNDED DIRECTLY, THE ACT
23 STUDIES THAT WERE JUST IN THE NEWS. ONLY TWO
24 PATIENTS. AND I THINK IT'S VERY PRELIMINARY TO
25 SUGGEST THAT THERE'S BEEN BENEFIT THERE. BUT IN THE

BARRISTERS' REPORTING SERVICE

1 LANCET PAPER THAT PUBLISHED IT, THEY SAID THAT THE
2 PATIENTS HAD SHOWN SOME BENEFIT. BUT NOTABLY, THE
3 CLINICIAN HERE AT UCLA NOTED THAT THEY GOT BENEFIT
4 OUT OF BOTH EYES AND ONLY ONE EYE WAS TREATED. IT'S
5 A SALUTARY MOMENT TO MAKE SURE THAT BENEFITS HAVE TO
6 BE DEMONSTRATED IN LONGER TERM SUBSTANTIAL STUDIES.

7 MEMBER LIPSON: THE OTHER QUESTION IS WHAT
8 IS THE LONG-TERM GOAL FOR CIRM? IS IT GOING TO BE A
9 GROUP WHO DISPENSES FUNDS AND WATCHES AS THE GRANTS
10 ARE MANAGED AND THEN FADES INTO THE SUNSET, OR YOU
11 HAVE OTHER IDEAS?

12 DR. TROUNSON: WELL, I THINK THAT THAT'S
13 GOING TO BE ANSWERED IN THE NEXT PRESENTATION. WHAT
14 IS THE -- WHERE DOES CIRM GO? BUT FROM MY POINT OF
15 VIEW, WITH OUR \$3 BILLION, WE WANT TO SEE A MULTIPLE
16 NUMBER OF STUDIES PASS THROUGH IN A POSITIVE WAY
17 THROUGH PHASE II. WE DON'T HAVE THE FUNDS TO TAKE
18 THEM TO PHASE III AND PHASE IV. THAT'S REALLY
19 SOMEBODY ELSE'S, THE PHARMACEUTICAL INDUSTRY OR SOME
20 OTHER PROCESS THAT NEEDS TO TAKE THEM FORWARD. BUT
21 WE'RE CONNECTING THEM TO THOSE ORGANIZATIONS NOW.

22 WE WANT MULTIPLES AT THAT END. AND IN THE
23 BASIC SCIENCE, WE WANT THEM TO REALLY CHANGE,
24 TRANSFORM THE WHOLE AREA. NOW I THINK I CAN TELL
25 YOU THAT A NEW PLATFORM IS EVOLVING WHERE WITH

BARRISTERS' REPORTING SERVICE

1 TARGETED VIRAL CONSTRUCTS THAT YOU CAN CHANGE CELLS
2 IN SOME TISSUE FROM ONE TYPE TO ANOTHER. SO YOU CAN
3 ACTUALLY GET, FOR EXAMPLE, IF YOU HAVE A HEART
4 ATTACK, THE STROMAL CELLS IN THE HEART TO BECOME
5 CARDIOMYOCYTES, MUSCLES THAT ARE NECESSARY TO GIVE
6 YOU BACK THE STRENGTH IN YOUR HEART, YOUR LEFT
7 VENTRICLE, BY INTRODUCING INTO THE HEART THESE WHAT
8 WE CALL TRANSCRIPTION FACTORS THAT CONVERT ONE CELL
9 FROM ONE TYPE TO ANOTHER.

10 THESE ARE DEVELOPMENTS THAT ARE COMING OUT
11 OF THAT BASIC RESEARCH. AND THAT PLATFORM IN 10
12 YEARS, 12 YEARS, 20 YEARS IS GOING TO REALLY
13 REVOLUTIONIZE, I THINK, MEDICINE AGAIN. SO BOTH IN
14 THE BASIC AND THE CLINICAL, I HAVE VERY STRONG
15 ASPIRATIONS TO ESTABLISH A REAL SOLID FOOTPRINT FOR
16 CIRM IN CALIFORNIA FOR US TO BE RECOGNIZED REALLY AS
17 THE PLACE IN STEM CELLS.

18 MEMBER LOTT: MR. CHAIRMAN, THIS WAS A
19 VERY -- I'M VERY IMPRESSED. THIS IS A VERY, VERY
20 IMPRESSIVE TRACK RECORD THAT YOU'VE ACCOMPLISHED
21 HERE. MY 12-YEAR-OLD SON, HE JUST WOKE UP. YOU PUT
22 HIM TO SLEEP THOUGH. SO I WOULD HOPE -- THIS WAS
23 IMPRESSIVE TO ME, REALLY, REALLY. YOU GUYS SHOULD
24 BE REALLY COMPLIMENTED.

25 I WANT TO KEEP HIM AWAKE AND THE REST OF

BARRISTERS' REPORTING SERVICE

1 THE VOTERS AND EVERYBODY ELSE IN CALIFORNIA. CAN
2 YOU USE SOME OF THAT ADVOCACY MONEY IN YOUR BUDGET
3 TO PACKAGE THIS IN MESSAGING THAT WILL RESONATE WITH
4 THE COMMON PERSON AND KEEP MY 12-YEAR-OLD AWAKE?

5 DR. TROUNSON: I THINK THAT'S THE
6 CHALLENGE FOR US TO DO THAT. ABSOLUTELY. WE'VE GOT
7 TO EXCITE THE WHOLE OF CALIFORNIA ABOUT THIS IS
8 REALLY SOMETHING VERY, VERY SPECIAL. AND I THINK
9 DELIVERY OF THE MESSAGE IS CRITICAL. AND DELIVERY
10 OF THE MESSAGE, I THINK, NOT FROM NECESSARILY ME,
11 BUT OTHER PEOPLE WHO REALLY FEEL THIS IS SOMETHING
12 SPECIAL REALLY NEEDS TO BE THE RESONANCE HERE. I
13 AGREE WITH YOU. THIS IS FABULOUS. THIS IS JUST
14 VERY SPECIAL. AND THIS IS WHAT YOU DID. THIS IS
15 WHAT CALIFORNIA DID. AND I WAS IN AUSTRALIAN AT
16 THAT TIME, AND I DIDN'T BELIEVE YOU GUYS WERE SO
17 BRAVE. BUT HAVING BEEN HERE FOR THIS IS MY FIFTH
18 YEAR HERE, I HAVE TO TELL YOU THIS IS SOMETHING
19 REALLY, REALLY SPECIAL AND THE WHOLE WORLD IS AWAKE
20 TO IT. I THINK WE NEED TO GET EVERYBODY IN THE
21 COMMUNITY AWAKE, REALLY AWAKE. THE SENSE OF IT IS
22 WAKE UP. THERE'S A WHOLE NEW THING HAPPENING, AND
23 IT'S VERY, VERY SPECIAL.

24 CHAIRMAN THOMAS: CAN I ADD A COMMENT ON
25 THAT? IT'S A POINT VERY WELL TAKEN. WE HAD A

BARRISTERS' REPORTING SERVICE

1 PRESENTATION ON OUR PORTFOLIO, IF YOU WILL, BACK
2 LAST SUMMER AT THE BOARD MEETING, AND IT WAS QUITE
3 SCIENTIFIC IN ITS LANGUAGE. I SAID, WELL, THIS IS
4 FANTASTIC. THE EXTRAORDINARY WORK THAT'S BEING DONE
5 IS TRULY IMPRESSIVE. VERY HAPPY TO HEAR THAT YOU
6 ECHO THAT.

7 BUT I SAID, DOESN'T DO A LOT OF GOOD TO
8 THE PUBLIC IF WE HAVE IT PRESENTED IN THIS FORM
9 BECAUSE THEY'RE NOT GOING TO KNOW WHAT YOU ARE
10 TALKING ABOUT. SO AT THAT POINT, I DIRECTED THAT
11 THEY DEVELOP, FOR LACK OF A BETTER PHRASE, A PLAIN
12 ENGLISH VERSION. YOU ACTUALLY HAVE THAT IN YOUR
13 PACKET. I'M NOT SURE WHAT TAB IT IS, BUT IT'S RIGHT
14 AT THE END, I BELIEVE, OF YOUR MATERIALS. AND THAT
15 PLAIN ENGLISH VERSION IS GOING TO BE THE CENTERPIECE
16 OF A PUBLIC COMMUNICATIONS PROGRAM THAT WE'RE GOING
17 TO HAVE TO DO EXACTLY WHAT YOU'RE SUGGESTING, WHICH
18 IS TO GET THE MESSAGE OUT TO EXCITE CALIFORNIANS
19 ABOUT WHAT WE'RE DOING, WHAT WE HAVE DONE, WHERE WE
20 PLAN TO GO, WHAT WE ASPIRE TO, ETC. SO THANK YOU
21 FOR YOUR COMMENT. IT'S VERY GOOD TO HEAR THAT.

22 MS. HOLTON-HODSON: THAT'S TAB 61.

23 MEMBER KOVACH: ONE THING THAT RESONATED
24 WITH ME RECENTLY AT THE WORLD STEM CELL CONFERENCE
25 IN PASADENA THAT CIRM WAS PROMINENTLY FIGURED IN WAS

BARRISTERS' REPORTING SERVICE

1 THE FACT THAT I'VE BEEN GOING TO STEM CELL
2 CONFERENCES FOR 15, 20 YEARS. AND FOR THE FIRST
3 TIME I SAW MANY CLINICIANS. USUALLY YOU JUST SEE
4 BASIC RESEARCHERS, BUT IN THIS PARTICULAR VENUE
5 THERE WERE THE PHYSICIANS, THE TREATING PHYSICIANS.
6 SO TO ME IT REMINDED ME OF, LIKE, YOU KNOW YOU'RE
7 NEAR LAND WHEN YOU SEE THE SEAGULLS, RIGHT. SO I
8 WAS REALLY EXCITED ABOUT THAT.

9 HOWEVER, ONE THING I ALSO NOTED WAS THE
10 FOREIGN PRESENCE OF OTHER COUNTRIES, FROM ASIA IN
11 PARTICULAR. LOT OF LOT OF INTEREST. AND TO ME IT
12 REMINDED ME THAT THE WORLD IS FLAT. AND SO THINGS
13 ARE VERY COMPETITIVE. SO WE NEED TO KEEP MOVING
14 FORWARD, BUT I FELT REALLY, REALLY EXCITED ABOUT
15 WHERE WE'RE AT, AND THIS ACTUALLY REFLECTS THAT AS
16 WELL.

17 CHAIRMAN THOMAS: MR. CONTROLLER, IF YOU
18 WOULD, PERHAPS THIS IS A GOOD SEGUE INTO THE
19 TRANSITION PLAN DISCUSSION.

20 I WILL NOTE FOR THE RECORD, I WOULD INVITE
21 YOU TO FOLLOW THE SCREEN. THIS TRANSITION PLAN, AS
22 I'LL NOTE, IS A WORK CONTINUING TO BE IN PROGRESS UP
23 THROUGH THE END OF THIS MONTH. SO WHAT I'M GOING TO
24 TALK ABOUT GOES A BIT BEYOND WHAT YOU HAVE IN YOUR
25 PACKAGE. SO FOR THOSE OF YOU WHO WOULD, PLEASE, DO

BARRISTERS' REPORTING SERVICE

1 REFER TO THE SCREEN.

2 SO THIS IS AN INTERESTING PRESENTATION TO
3 MAKE. AS WE SIT HERE TODAY, WE ANTICIPATE HAVING
4 FUNDING FROM OUR CURRENT BOND ALLOCATION TO AWARD
5 THROUGH 2016 OR 2017. MUCH OF THAT, AS YOU KNOW, IS
6 MULTIYEAR IN ITS NATURE. SO WE ACTUALLY DON'T
7 FORESEE ACTUALLY DEPLOYING THE LAST DOLLAR FROM OUR
8 \$3 BILLION AUTHORIZED AMOUNT UNTIL 2020 OR 21. SO
9 WE ARE QUITE A WAYS OUT FROM THE PROGRAM RUNNING ITS
10 COURSE, AND THAT ASSUMES NO OTHER FURTHER FUNDING TO
11 SUSTAIN THE EFFORT GOING BEYOND THAT.

12 NOTWITHSTANDING THAT, THE LEGISLATURE
13 WANTED TO HAVE SORT OF AN INTERIM REPORT ON A
14 TRANSITION PLAN TO BE DONE BY JANUARY 31ST OF THIS
15 YEAR AND DELIVERED TO THE GOVERNOR, CONTROLLER, AND
16 LEGISLATURE WITHIN 30 DAYS OF ITS COMPLETION. SO WE
17 HAVE PUT TOGETHER SOME THOUGHTS ON A TRANSITION PLAN
18 WITH THE UNDERSTANDING THAT THERE IS A GREAT DEAL OF
19 WATER LEFT TO GO UNDER THE BRIDGE. MANY THINGS WILL
20 HAPPEN OVER THE COURSE OF THE NEXT NINE YEARS. SO
21 ANY SORT OF EFFORT TOWARDS DESCRIBING A DEFINITIVE
22 TRANSITION PLAN AT THIS POINT IS SORT OF DOOMED TO
23 HAVE ADJUSTMENTS MADE AS WE GO ALONG.

24 BUT IN THE SPIRIT OF TRYING TO ADDRESS
25 THIS ISSUE AS BEST WE CAN AT THIS POINT, IF WE CAN

BARRISTERS' REPORTING SERVICE

1 TALK ABOUT THIS FOR A MOMENT. THE PHRASE I'D LIKE
2 YOU TO SORT OF CONSIDER, KEEP IN THE BACK OF YOUR
3 MIND IS ANY TRANSITION IS ABOUT SUSTAINABILITY OF
4 MISSION, NOT OF CIRM, BUT OF MISSION. AND THE
5 MISSION, AS YOU KNOW, IS TO DEVELOP THERAPIES AND
6 CURES TO RELIEVE HUMAN SUFFERING IN AS MANY AREAS AS
7 WE CAN. AND WE, CIRM, IS ABOUT THAT MISSION. AND
8 GOING FORWARD, WHETHER CIRM IS HERE OR NOT, WILL BE
9 ABOUT THAT MISSION.

10 SO I'D LIKE TO -- SO JUST A COUPLE BRIEF
11 SUMMARY STATES ABOUT WHERE WE ARE TODAY. THREE
12 BILLION WAS AUTHORIZED IN PROP 71. IT WAS AND
13 REMAINS A NEW PARADIGM FOR FUNDING BIOMEDICAL
14 RESEARCH, A TRULY PUBLIC/PRIVATE JOINT VENTURE
15 EFFORT THAT AT THE TIME IT WAS PASSED WAS REALLY
16 REVOLUTIONARY. IT WAS APPROVED OBVIOUSLY IN THE
17 FACE OF BUSH ERA RESTRICTIONS ON RESEARCH. I'LL
18 NOTE PARENTHETICALLY THAT, DEPENDING ON THE RESULTS
19 OF THIS YEAR'S PRESIDENTIAL ELECTION, THE FEDERAL
20 RESTRICTIONS, SHOULD GOVERNOR ROMNEY BE ELECTED, ARE
21 LIKELY TO RESUME, WHICH WOULD BE I WILL SAY
22 PROBLEMATIC, TO SAY THE LEAST, FOR THE REGENERATIVE
23 MEDICINE FIELD.

24 ONE OF THE IDEAS ABOUT FUNDING THE EFFORT
25 THROUGH BOND PROCEEDS WAS TO SPREAD OUT THE COSTS OF

BARRISTERS' REPORTING SERVICE

1 DEVELOPING THE PRODUCTS THAT HOPE TO COME OVER THE
2 GENERATIONS THAT WOULD BENEFIT FROM THOSE THERAPIES
3 AND CURES. SO RATHER THAN HAVING TO TRY TO FUND,
4 EVEN IF IT WERE POSSIBLE, THROUGH ANNUAL
5 APPROPRIATIONS FROM THE STATE GOVERNMENT, IT WAS
6 DEEMED THAT BECAUSE THESE ARE LONG-TERM BENEFITS,
7 THE COSTS SHOULD BE SPREAD OUT OVER LONG TERM. AND,
8 THEREFORE, WE HAVE A MECHANISM FOR ISSUING 30-YEAR
9 BONDS TO COVER THE DEBT SERVICE FOR THE RESEARCH.

10 AS WE NOTED A LITTLE EARLIER, AND THIS IS
11 A STRIKING NUMBER, GENERATED ALMOST 900 MILLION IN
12 ADDITION TO THE 3 BILLION AUTHORIZED IN PRIVATE AND
13 FOUNDATION MATCHING MONEY, WHICH SUGGESTED A
14 TREMENDOUS INTEREST IN THE PUBLIC IN CALIFORNIA IN
15 THE STEM CELL SPACE GOING BACK EARLIER IN THE 2000S.
16 WHERE ARE WE TODAY? ALAN HAS GONE OVER THIS IN SOME
17 EXHAUSTIVE DETAIL.

18 FORTY-THREE MAJOR AWARDS ADDRESSING 26
19 INCURABLE DISEASES AND CONDITIONS. IF YOU LOOK AT
20 WHAT WE'RE GOING AFTER, IT'S EVERYTHING FROM HEART
21 ISSUES, EVERY NEUROLOGICAL DISEASE YOU CAN THINK OF,
22 VISION, DIABETES, JUST GO RIGHT DOWN THE LIST,
23 BASICALLY ALL OF THE EXISTING MAJOR CHALLENGES IN
24 ONE WAY OR ANOTHER, AT LEAST MOST OF THEM, WE ARE
25 ATTEMPTING TO ADDRESS WITH OUR FUNDED PROJECTS.

BARRISTERS' REPORTING SERVICE

1 VERY IMPORTANTLY, WE DO NOT DISCRIMINATE
2 AGAINST STEM CELL TYPE. WE'RE SORT OF ORIGINALLY
3 ENVISIONED AS FUNDING EMBRYONIC STEM CELL RESEARCH.
4 WE NOW FUND EVERYTHING, EMBRYONIC, ADULT, INDUCED
5 PLURIPOTENT STEM CELLS, DIRECT REPROGRAMMING OR
6 TRANSDIFFERENTIATION. AND THE ONE THING WE CAN SAY
7 WITH SOME CERTAINTY IS AS WE KEEP GOING, NEW
8 DIFFERENT TYPES OF CELLS WILL COME UP OR VARIATIONS
9 OR WHATEVER. AND SO THAT THERE WILL BE EVEN MORE
10 THAN THERE ARE TODAY.

11 WE HAVE GREATLY ACCELERATED THE PACE OF
12 STEM CELL RESEARCH LITERALLY WORLDWIDE. CALIFORNIA
13 IS INDISPUTABLY NOW THE LEADER IN THE WORLD IN
14 FUNDING STEM CELL RESEARCH, COURTESY OF PROP 71.
15 AND IT HAS REALLY REVOLUTIONIZED THE FIELD GETTING
16 INFORMATION TRANSMITTED WORLDWIDE, GENERATING
17 EFFORTS IN COLLABORATION THAT ALAN REFERRED TO. AND
18 SO IF YOU TALK TO ANY OF THE PEOPLE OUT THERE
19 WORKING IN THE AREA, THEY'RE JUST ALMOST GIDDY WITH
20 THE WAY THAT PROP 71 HAS FACILITATED THE ABILITY TO
21 DO STEM CELL RESEARCH FOLLOWING ON THAT PERIOD WHERE
22 THEY COULDN'T DO MUCH OF ANYTHING DUE TO THE BUSH
23 PHILOSOPHY IN THE AREA.

24 IF YOU WERE TO SEE, AS WE DO, THE CLIPS
25 FROM VARIOUS NEWS SERVICES, LITERALLY EVERY DAY

BARRISTERS' REPORTING SERVICE

1 SOMETHING IS HAPPENING IN THIS SPACE. AND IT'S
2 SOMETHING SIGNIFICANT. THE PACE OF DEVELOPMENTS IS
3 JUST PRONOUNCED AND GETTING MORE SO. AS OF TODAY,
4 WE HAVE A VIBRANT WORLDWIDE RESEARCH EFFORT WELL
5 UNDER WAY, WHICH IS FACILITATED TO A LARGE DEGREE BY
6 CIRM AND ITS FUNDING EFFORTS.

7 SO WITH THAT IN MIND, WE WERE ASKED TO
8 PREPARE A TRANSITION PLAN. SB 1064, THERE'S THE
9 LANGUAGE, UNDER THE GUIDANCE OF THE ICOC, THE
10 INSTITUTE SHALL BY JANUARY 31, 2012, CREATE A
11 TRANSITION PLAN ADDRESSING THE EXPIRATION OF CURRENT
12 BOND FUNDING. THE TRANSITION PLAN SHALL BE
13 TRANSMITTED TO THE GOVERNOR, THE CONTROLLER, AND THE
14 LEGISLATURE WITHIN 30 DAYS OF COMPLETION.

15 IF WE HAD TO SUMMARIZE WHERE WE ARE ON
16 THIS, I WOULD JUST SAY, AND I'LL READ THIS QUICKLY.
17 ALTHOUGH ADDITIONAL STATE FUNDING COULD BE A
18 POSSIBILITY IN THE FUTURE, AND I'LL ADDRESS THAT, IT
19 WOULD BE PREMATURE EVEN TO CONSIDER ANOTHER BOND
20 MEASURE AT THIS TIME. INSTEAD, CIRM IS FOCUSING ITS
21 EFFORT ON CREATING A PLATFORM THAT ENABLES OTHERS TO
22 CARRY ON CIRM'S WORK. THIS IS THE SUSTAINABILITY OF
23 MISSION I REFERRED TO.

24 THROUGH FUNDING STATE-OF-THE-ART RESEARCH
25 FACILITIES, COLLABORATIVE FUNDING AGREEMENTS, AND

BARRISTERS' REPORTING SERVICE

1 INDUSTRY ENGAGEMENT, CIRM HAS ALREADY MADE PROGRESS
2 IN CREATING THIS PLATFORM. CIRM INTENDS TO MAINTAIN
3 SIGNIFICANT STAFF THROUGH THE CLOSEOUT OF ALL
4 AWARDS, CIRCA 2021. IN THE FUTURE AND AS
5 APPROPRIATE FOR THE TIME, WE WILL DEVELOP DETAILED
6 PLANS TO ENABLE TRANSITIONS FOR PEOPLE AND THE
7 TRANSFER OF OBLIGATION TRACKING CURRENTLY DONE BY
8 CIRM.

9 SO THAT'S SORT OF AN OVERRIDING COMMENT.

10 OKAY. NEXT, WE'VE GOT -- THIS IS JUST FOR
11 THOSE WHO WANT A LITTLE BIT MORE DETAIL ON OUR
12 AWARDS. I DON'T THINK WE NEED TO GO THROUGH THIS IN
13 PARTICULAR DETAIL, BUT WE'VE A NOTE AT THE BOTTOM.
14 WE'VE TRANSITIONED FROM FUNDING PHYSICAL AND HUMAN
15 INFRASTRUCTURE TO EMPHASIZE, AS ALAN SAID,
16 TRANSLATIONAL RESEARCH AND CLINICAL DEVELOPMENT.

17 WHAT ARE THE LASTING ACCOMPLISHMENTS OF
18 CIRM? WE FUNDED 332 MILLION IN NEW RESEARCH --
19 SORRY -- FUNDED APPROXIMATELY 332 MILLION IN NEW
20 RESEARCH SPACE IN OVER A DOZEN LEADING ACADEMIC
21 INSTITUTIONS. AND I WOULD INVITE YOU TO VISIT ONE
22 OR MORE OF THESE. I THINK THE FACILITIES ARE
23 STATE-OF-THE-ART, HIGHLY IMPRESSIVE, AND YOU WOULD
24 BE REALLY GRATIFIED TO MEET WITH THE SCIENTISTS WHO
25 ARE DOING THE WORK, WHO WILL GO ON AND ON ABOUT HOW

BARRISTERS' REPORTING SERVICE

1 ENTHUSIASTIC THEY ARE TO HAVE THE OPPORTUNITY AND TO
2 TELL YOU WHAT IT IS THEY'RE DOING. AND I PROMISE
3 YOU THAT YOU WILL COME AWAY 100 PERCENT IMPRESSED
4 WITH THE EFFORT AND THE UNDERTAKING.

5 UPON COMPLETION OF THE ONGOING PROJECTS,
6 WE'LL HAVE 500,000 SQUARE FEET OF DEDICATED AND
7 SHARED RESEARCH FACILITIES. THE ECONOMIC IMPACT,
8 WHICH IS OF GREAT IMPORT, FACILITIES AWARDS HAVE
9 GARNERED OVER 800 MILLION IN MATCHING FUNDS. WE
10 TALKED ABOUT THAT. WE CREATED OVER 13,000 JOB YEARS
11 OF EMPLOYMENT IN CALIFORNIA AND PROVIDED THE
12 OPPORTUNITY FOR STEM CELL SCIENTISTS TO WORK IN
13 CLOSE PROXIMITY AND NOT SCATTERED ACROSS A CAMPUS.
14 THEY WILL TELL YOU THE SYNERGIES OF INTERACTION
15 BRINGING DIFFERENT DISCIPLINES WITHIN THE STEM CELL
16 ARENA TOGETHER IS ONE THAT FURTHER ACCELERATES THE
17 PACE OF RESEARCH. WE'LL CONTINUE TO PROVIDE A HOME
18 FOR THOUSANDS OF STEM CELL RESEARCH SCIENTISTS FOR
19 DECADES TO COME.

20 THE TRANSITION PLAN GOALS. WE WILL -- AND
21 I'M GOING TO ELABORATE ON THIS FIRST POINT --
22 EVALUATE AND ENABLE THE CREATION AT A MINIMUM OF A
23 CIRM-LIKE FUNDING AGENCY TO CONTINUE CIRM'S MISSION.
24 WE WILL EVALUATE THE FEASIBILITY OF ADDITIONAL
25 PUBLIC FUNDING. WE WILL ENABLE GRANTEES, INDUSTRY,

BARRISTERS' REPORTING SERVICE

1 OTHER GOVERNMENT AGENCIES, DISEASE FOUNDATIONS,
2 VENTURE CAPITALISTS, AND OTHERS TO CONTINUE TO
3 PURSUE CIRM'S MISSION. WE WILL ENABLE A SMOOTH
4 TRANSITION FOR EMPLOYEES, PATIENTS, AWARDEES, AND
5 OTHER STAKEHOLDERS. AND WE WILL FACILITATE THE
6 ONGOING TRACKING OF INTELLECTUAL PROPERTY AND OTHER
7 OBLIGATIONS OF AWARDEES TO MAKE SURE THAT THE STATE
8 GETS THE FULL BENEFIT OF ITS INVESTMENT IN THOSE
9 COMPANIES THAT DO END UP PRODUCING REVENUES.

10 TRANSITION PLAN EXAMPLES ON THE LOGISTICAL
11 SIDE. HERE AGAIN, TRYING TO COME UP WITH AN
12 EXHAUSTIVE LIST NINE YEARS IN ADVANCE IS A LITTLE
13 TRICKY, BUT EXAMPLES OF SOME THINGS THAT ARE CENTRAL
14 TO THE EFFORT. FIRST, ALAN TALKED ABOUT THIS,
15 PROVIDE REGULATORY AND PRODUCT DEVELOPMENT GUIDANCE
16 TO ITS GRANTEES TO ENSURE THAT THEY HAVE THE TOOLS
17 NECESSARY TO TAKE THEIR DISCOVERIES FROM THE BENCH
18 TO THE BEDSIDE. THIS FDA APPROVAL PROCESS IS IN ITS
19 EARLIEST PHASE RIGHT NOW.

20 GERON, WHO ALAN SUGGESTED, WE'RE VERY
21 DISAPPOINTED THAT THEY PULLED OUT FIRST AND FOREMOST
22 FROM THE STANDPOINT, RATHER, OF THE PATIENTS AND
23 THEIR FAMILIES WHO PUT A LOT OF HOPE IN THEIR
24 UNDERTAKING. ONE THING THAT THEY DID DO, WHICH WAS
25 VERY IMPORTANT, WAS THEY PIONEERED THE PROCESS OF

BARRISTERS' REPORTING SERVICE

1 FDA REGULATORY APPROVAL FOR HUMAN EMBRYONIC STEM
2 CELL-RELATED PRODUCTS. AND THAT HAS SET THE TABLE
3 FOR FURTHER DEVELOPMENT OF THIS SO-CALLED REGULATORY
4 PATHWAY WHICH WILL ONLY DEVELOP MORE OVER TIME AND
5 WHICH CIRM IS RIGHT IN THE MIDDLE OF HELPING ADVISE
6 AND DEVELOP WITH THEM.

7 SO THIS IS SOMETHING FROM A TRANSITIONAL
8 POINT OF VIEW VERY IMPORTANT TO HAVE CERTAINTY AS TO
9 HOW YOU GET FROM A TO B WITH THE REGULATORS IN A WAY
10 THAT BEST GIVES YOU, THE APPLICANT, THE OPPORTUNITY
11 TO ULTIMATELY REALIZE YOUR GOAL OF A PRODUCT THAT
12 CAN BE USED FOR THE PUBLIC.

13 SECONDLY, SUPPORT EFFORTS BY ITS GRANTEES
14 TO PROVIDE CIRM-FUNDED INTELLECTUAL PROPERTY IN
15 ORDER TO SAFEGUARD THE STATE'S INVESTMENT AND
16 PROMOTE THE COMMERCIALIZATION OF CIRM-FUNDED
17 THERAPIES. HERE SIMPLY WE, AGAIN, WANT TO MAKE SURE
18 WE HAVE EMBEDDED IN EVERY AWARD ON THE GRANT SIDE
19 INTELLECTUAL PROPERTY RIGHTS SO THAT WITH ANY
20 REVENUES GENERATED BY PRODUCTS, THE STATE WILL
21 RECEIVE A PORTION OF THAT; THAT IS, IT'S FAIR SHARE,
22 NOT SOMETHING THAT'S SO MUCH AS TO BE A HEAVY BURDEN
23 THAT WOULD REALLY COMPROMISE THE COMPANY, BUT A VERY
24 WELL-BALANCED RETURN TO THE STATE TO HELP DEFRAY
25 DEBT SERVICE ON THE BONDS.

BARRISTERS' REPORTING SERVICE

1 THIRDLY, BEFORE CIRM'S LAST RESEARCH
2 AWARDS ARE CLOSED, CIRM WILL DEVELOP DETAILED PLANS
3 FOR THE TRANSITION OF ALL STAKEHOLDERS, EMPLOYEES,
4 PATIENTS, AWARDEES, AND, FOR TRANSFERRING AUTHORITY
5 FOR MONITORING THIRD-PARTY OBLIGATIONS SUCH AS THE
6 REPAYMENT OF LOANS. SO THIS IS SOMETHING, AGAIN,
7 THAT WILL BE DEVELOPED YEARS DOWN THE ROAD, BUT
8 CLEARLY THIS IS A CATEGORY OF MAJOR IMPORTANCE.
9 WE'RE FULLY AWARE OF IT. WE WILL DEVELOP
10 COMPREHENSIVE PLANS FOR DEALING WITH ALL OF THIS.

11 LASTLY, ON THIS PAGE, AFTER CIRM'S LAST
12 RESEARCH AWARDS ARE CLOSED, CIRCA 2021, CIRM WILL
13 TRANSFER THOSE GRANT AGREEMENTS THAT HAVE THE
14 POTENTIAL TO LEAD TO REVENUES TO THE STATE
15 CONTROLLER'S OFFICE, COLLECTIONS DIVISION FOR THE
16 PURPOSE OF AUDITING GRANTEES AND COLLECTING ANY
17 PAYMENTS DUE TO THE STATE PER OUR AGREEMENT WITH THE
18 STATE CONTROLLER'S OFFICE IN 2006.

19 ON THE NEXT PAGE, SOME TRANSITION PLAN
20 EXAMPLES IN THE AREA OF INFRASTRUCTURE. NO. 1, WORK
21 TO CREATE NEW BIOTECHNOLOGY COMPANIES -- TO BRING
22 NEW BIOTECHNOLOGY COMPANIES TO CALIFORNIA AND CREATE
23 STEM CELL CLUSTERS TO PROMOTE COLLABORATIONS WITH
24 CALIFORNIA RESEARCHERS AND TO PROVIDE A VEHICLE TO
25 TRANSLATE STEM CELL DISCOVERIES INTO CLINICAL

BARRISTERS' REPORTING SERVICE

1 APPLI CATIONS.

2 SO WHEN YOU WERE TALKING ABOUT THE LOAN
3 PROGRAM AND INVOLVEMENT OF COMPANIES, ETC. , WE WANT
4 TO OBVIOUSLY ENCOURAGE THE DEVELOPMENT OR THE
5 RELOCATION OF AS MANY COMPANIES AS WE CAN IN THE
6 SPACE SO THAT AT SUCH TIME AND IF CIRM GOES AWAY,
7 THERE IS A VIBRANT INDUSTRY THERE READY TO CARRY ON
8 THE WORK THAT OUR FUNDED PROJECT AWARDEES ARE DOING
9 RIGHT NOW.

10 NO. 2, CIRM IS FUNDING THE CREATION OF AN
11 INDUCED PLURIPOTENT BANK AS A RESOURCE FOR
12 CALIFORNIA RESEARCHERS AND COMPANIES INTERESTED IN
13 DISEASE MODELING AND DRUG DISCOVERY. AT THE RISK OF
14 BEING A LITTLE TOO BASIC JUST TO DEFINE INDUCED
15 PLURIPOTENT STEM CELLS IN CASE THERE'S SOMEBODY ON
16 THE COMMITTEE WHO DOESN'T KNOW EXACTLY WHAT THAT IS,
17 IT'S KIND OF JARGONY. THIS WAS THE DEVELOPMENT IN
18 2007 WHERE A NOW WORLD FAMOUS JAPANESE RESEARCHER
19 TOOK A SKIN CELL AND THROUGH EXPOSING IT TO A SET OF
20 PROTEINS WAS ABLE TO TURN THAT ADULT SKIN CELL BACK
21 INTO ESSENTIALLY AN EMBRYONIC STAGE, WHICH WAS
22 SOMETHING AT THE TIME WAS VIEWED AS A TREMENDOUS
23 ACCOMPLISHMENT. AND ALAN COULD GIVE YOU CHAPTER AND
24 VERSE ON THE DETAILS.

25 BUT WHAT HAS HAPPENED AS A RESULT IS GET

BARRISTERS' REPORTING SERVICE

1 SOMEBODY WHO HAS A PARTICULAR DISEASE, YOU CAN TAKE
2 THEIR SKIN CELL, REVERSE ENGINEER IT BACK INTO
3 EMBRYONIC STAGE, AND THEN REPROGRAM THAT EMBRYONIC
4 STEM CELL TO BECOME WHATEVER WAS AFFECTED BY THE
5 DISEASE IN THAT PERSON, AND HAVE IT DEVELOP IN A
6 DISH, AND THEN HAVE THE ABILITY TO TEST ALL SORTS OF
7 COMPOUNDS TO SEE IF YOU CAN TREAT THE CONDITION AS
8 IT NOW SITS THERE LITERALLY BEFORE YOU. AND IT'S
9 OPENED UP A HUGE NEW ERA IN DISEASE MODELING AND
10 DRUG DISCOVERY. THERE ARE THESE BIG MACHINES THAT
11 THROUGHPUT COMPOUNDS AT ENORMOUS RATES AND TEST
12 THINGS AND VIABILITY OF TREATMENTS FOR PARTICULAR
13 CONDITIONS. IT'S QUITE SOMETHING.

14 SO WHAT WE HAVE RECENTLY APPROVED IS THE
15 CREATION OF A BANKING FACILITY FOR INDUCED
16 PLURIPOTENT STEM CELLS WHICH WILL SERVE AS A SUPPLY
17 OF SUCH CELLS FOR RESEARCH AND DEVELOPMENT AS I'VE
18 JUST DESCRIBED FOR ANY HOST OF DISEASES THAT WE
19 WOULD HAVE POSSIBLE EFFECT ON.

20 MEMBER LIPSON: DO YOU HAVE YOUR OWN
21 FACILITY FOR THIS BANK?

22 CHAIRMAN THOMAS: ALAN, WOULD YOU LIKE TO
23 ADDRESS THAT?

24 DR. TROUNSON: NO, NOT YET BECAUSE IT WAS
25 JUST PASSED THROUGH THE BOARD FOR CONCEPT APPROVAL.

BARRISTERS' REPORTING SERVICE

1 WE' LL BE RELEASING THE RFA, THE CALL FOR
2 APPLICATIONS, IN APRIL, I THINK. SO THERE ARE THREE
3 PARTS TO THAT. FIRST, YOU' VE GOT TO HAVE THE
4 CLINICAL EXPERTISE TO COLLECT THE SAMPLES FROM THE
5 PATIENTS. SO YOU HAVE TO REALLY HAVE A GROUP OF
6 DOCTORS WHO ARE GOING TO COLLECT FROM, SAY, TYPE I
7 DIABETES PATIENTS OR WHATEVER DISEASES YOU HAVE.
8 THERE' S THAT PART. THEN THERE' S A BANKING FACILITY.
9 THEY WANT THE ABILITY TO MAKE THE IPS CELLS. SO
10 THAT IN ITSELF WE WANT IT DONE THE SAME WAY, SO THAT
11 WE CAN COMPARE ALL OF THESE SAMPLES AND WE DON' T
12 HAVE THE VARIANCE DUE TO DIFFERENT METHODS THAT ARE
13 USED.

14 SO THERE ARE A NUMBER OF COMPANIES, FOR
15 EXAMPLE, WHO ARE IN THIS SPACE WHO ARE EITHER HERE
16 IN CALIFORNIA, WHO WANT TO MOVE TO CALIFORNIA WHO
17 ARE INTERESTED IN THIS.

18 AND THIRDLY, WE NEED A BANK. A BANK WOULD
19 THEN MANAGE THOSE SAMPLES AND THEN ENABLE THAT TO
20 GET OUT TO ALL OF THE RESEARCHERS. THERE' S ALSO
21 THOSE BANKING COMPANIES THAT ARE INTERESTED TO COME
22 TO CALIFORNIA AND ESTABLISH THAT AS WELL.

23 SO WE HAVE IN THREE POTS, IF YOU LIKE.
24 AND SO THAT WILL HAVE TO COME FORWARD TO BE REVIEWED
25 BY THE GRANTS WORKING GROUP TO SEE WHICH ARE THE

BARRISTERS' REPORTING SERVICE

1 BEST PROPOSALS COME FORWARD.

2 MEMBER LIPSON: SO YOU'RE THINKING OF
3 USING COMMERCIAL COMPANIES?

4 DR. TROUNSON: IT'S POSSIBLE, BUT IT COULD
5 BE NONPROFIT. WE WOULD ALLOW GROUPS IN BOTH AREAS
6 TO PUT THE PROPOSALS FORWARD.

7 MEMBER LIPSON: AGAIN, THERE'S THE
8 CONFLICT.

9 DR. TROUNSON: WE HAVE TO DEAL WITH THOSE
10 CONFLICTS, AS JAMES SAID. WE HAVE TO ENSURE THAT
11 THOSE CONFLICTS ARE COVERED. FOR EXAMPLE, WE MAY
12 WISH TO RETAIN OWNERSHIP OF THOSE CELLS. SO THEY'RE
13 PROVIDING A SERVICE FOR CALIFORNIA AS DISTINCT FROM
14 OWNING THE SAMPLES AND THEN MAKING MONEY AS A RESULT
15 OF THAT. SO WE'RE WORKING CLOSELY WITH THE NATIONAL
16 INSTITUTES OF HEALTH WHO HAVE BEEN THROUGH THIS
17 PROCESS A FEW TIMES AND HAVE SEEN WHAT YOU REALLY
18 NEED TO DO WHEN YOU DO THESE THINGS, AND ENSURE THAT
19 CALIFORNIA OWNS THIS MATERIAL SO THE BENEFITS CAN
20 TRANSLATE TO CALIFORNIA AND NOT TO THE COMPANIES.

21 MEMBER LIPSON: DO THE BENEFITS GO TO THE
22 STATE OR TO CIRM?

23 DR. TROUNSON: TO THE STATE. THE BENEFITS
24 FROM THIS WOULD GO TO THE STATE. THEY WOULD
25 DIRECTLY GO TO THE STATE ANY BENEFITS UNDER THIS.

BARRISTERS' REPORTING SERVICE

1 IF THEY'RE AWARDED UNDER A LOAN, WELL, IT COULD COME
2 BACK THROUGH THAT MECHANISM THROUGH TO CIRM, BUT
3 THAT WILL BE THE STATE. BUT IF IT COMES UNDER A
4 GRANT, IT WOULD GO DIRECTLY TO THE STATE.

5 MEMBER LIPSON: I JUST WANT TO POINT OUT
6 TO OTHER PEOPLE THAT IT COSTS ABOUT \$200 MILLION TO
7 BRING A DRUG THROUGH ALL PHASES OF TESTING UNTIL
8 IT'S RELEASED.

9 DR. TROUNSON: EVEN MORE, I THINK. THE
10 CALCULATION IS CLOSER TO 4 BILLION FOR EACH DRUG.
11 THAT'S A TOTAL. SO IT'S ENORMOUS. AND WE'RE
12 WORKING ON THIS IN SEVERAL DIFFERENT WAYS. FIRST OF
13 ALL, WE HAVE TO CONNECT WITH COMPANIES THAT HAVE GOT
14 A BIG ENOUGH BASE TO DO THE FDA TESTING, WHICH
15 REQUIRES YOU TO GO PHASE I, PHASE II, PHASE III,
16 PHASE IV, AND THAT COSTS A LOT OF MONEY.

17 BUT THE OTHER THING I WANT TO DO FOR
18 CALIFORNIA IS ESTABLISH WHAT I'M CALLING STEM CELL
19 CLINICS IN CALIFORNIA. I WANT A NETWORK OF THESE
20 CLINICS THAT BOTH PROVIDE THE CLINICAL TRIALS
21 CAPACITY, BUT ALSO PROVIDE THE TREATMENT FOR
22 PATIENTS AS IT GOES. AS THESE TREATMENTS PERCOLATE
23 THROUGH THE REGULATORY PROCESS BE AVAILABLE FOR
24 CALIFORNIA PATIENTS AND STOP THIS MIGRATION OF
25 PEOPLE OFF TO UNTESTED, UNSCIENTIFIC TREATMENTS IN

BARRISTERS' REPORTING SERVICE

1 OTHER PLACES AND HAVE THEM STAY HERE IN CALIFORNIA
2 AND BE PART OF THE CLINICAL TRIALS, PART OF THE
3 TREATMENT HERE AND GET PROPER COUNSELING.

4 SO IN THESE CLINICS I HOPE THERE WILL BE
5 WAYS IN WHICH WE CAN REDUCE THE COSTS, SUBSTANTIALLY
6 REDUCE THE COST OF THE PROVISION OF THOSE
7 TREATMENTS.

8 MEMBER LIPSON: WHO DO YOU ENVISION
9 RUNNING THOSE CLINICS?

10 DR. TROUNSON: THEY WILL, AGAIN, BE
11 SELECTED UNDER AN RFA, AND THAT WOULD LIKELY BE IN
12 THE FIRST PLACE THE MAJOR MEDICAL HEALTH GROUPS.
13 YOU COULD SAY CITY OF HOPE OR CEDARS-SINAI OR UCLA.
14 IT WOULD BE THE MAJOR INSTITUTIONS. THAT'S WHERE
15 THEY WOULD BEGIN. EVENTUALLY THEY WOULD MOVE OUT
16 INTO THE COMMUNITY AS CANCER CENTERS DO; BUT IN THE
17 BEGINNING, I THINK YOU HAVE TO SITE THEM WHERE THE
18 EXPERTISE IS. BUT THIS IS -- THIS WILL BE PART OF
19 AN RFA, AND IT WILL BE REVIEWED CAREFULLY TO SEE
20 WHERE THE REAL BENEFITS ARE.

21 MEMBER KOVACH: SO THE IPS, I THINK THAT
22 WILL BE A VERY VALUABLE RESOURCE, VERY NOVEL. AND
23 HAVE YOU DECIDED THAT, OR SOUNDS LIKE YOU'RE STILL
24 MAKING UP YOUR MIND AND NOW --

25 DR. TROUNSON: DECIDED.

BARRISTERS' REPORTING SERVICE

1 MEMBER KOVACH: SO IS THERE SOME WAY TO
2 PROVIDE FOR CALIFORNIA COMPANIES AS KIND OF A CARROT
3 TO COME HERE? THAT WOULD BE A VERY POWERFUL DRAW, I
4 WOULD THINK, IS TO HAVE ACCESS IN SOME PREFERENTIAL
5 WAY TO THAT LIBRARY.

6 DR. TROUNSON: WE WANT TO MAKE SURE THAT
7 THE CALIFORNIA RESEARCH COMMUNITY IS THE BENEFICIARY
8 OF THAT. THIS IS CALIFORNIA MONEY. WE WANT THEM TO
9 BE THE PRIME BENEFICIARY. SO COMPANIES, SOME
10 INSTITUTIONS ARE MULTINATIONAL, OF COURSE, BUT WE
11 WANT AS MANY OF THOSE TO COME TO CALIFORNIA TO LIFT
12 THE ECONOMY OF CALIFORNIA.

13 CHAIRMAN THOMAS: OKAY. LASTLY, ON THIS
14 PAGE, THE INFRASTRUCTURE PAGE, EXPLORE AND
15 FACILITATE THE CREATION OF OTHER RESOURCES FOR THE
16 DISCOVERY AND DELIVERY OF STEM CELL-BASED THERAPIES
17 TO PATIENTS. SO THAT'S OTHER RESOURCES BUZZ WORD
18 FOR ADDITIONAL ALTERNATIVE FUNDING.

19 THAT TRANSITIONS NICELY INTO THE LAST
20 SLIDE, WHICH IS THE ISSUE OF FINANCIAL CONCERNS AND
21 WHAT WE'RE THINKING ABOUT AS FAR AS TRANSITION GOES.

22 SO THE FIRST ITEM WE HAVE UP THERE IS
23 EVALUATE AND ENABLE THE FUTURE CREATION OF A
24 CIRM-LIKE FUNDING AGENCY TO CONTINUE CIRM'S MISSION
25 SUCH AS A NONPROFIT VENTURE PHILANTHROPY FUND TO

BARRISTERS' REPORTING SERVICE

1 PROVIDE FUNDING FOR STEM CELL RESEARCH PROJECTS FROM
2 IND-ENABLING RESEARCH -- THAT'S WHERE YOU ARE RIGHT
3 BEFORE YOU START PHASE I -- THROUGH THE END OF PHASE
4 II TRIALS.

5 WE'RE BUSILY PUTTING TOGETHER IN
6 CONJUNCTION WITH A NATIONAL ORGANIZATION CALLED THE
7 ALLIANCE FOR REGENERATIVE MEDICINE THE PLANS FOR A
8 NONPROFIT VENTURE PHILANTHROPY FUND WHICH HAS AS ITS
9 SORT OF FOUNDING IDEA THIS NOTION I TALKED ABOUT
10 EARLIER ABOUT THE 900 MILLION IN MONEY THAT WAS
11 GIVEN TO STEM CELLS. IT WASN'T EVEN A PARTICULARLY
12 COORDINATED EFFORT. WE BELIEVE NATIONALLY THERE'S
13 SUCH INTEREST IN THIS FIELD WHICH CONTINUES TO BE
14 BORNE OUT NOTWITHSTANDING WHAT ONE MIGHT HEAR ABOUT
15 POLITICAL OBJECTIONS, WHICH THERE ARE PLENTY, BUT
16 THE POLLING SHOWS STEM CELL RESEARCH TO BE VERY MUCH
17 APPROVED BY THE PUBLIC AT LARGE.

18 SO WE'LL THINK ABOUT PUTTING TOGETHER A
19 NONPROFIT FUND THAT WOULD ACCEPT APPLICATIONS FOR
20 AWARDS FROM RESEARCHERS AND COMPANIES ALL OVER THE
21 COUNTRY, NOT JUST THOSE FUNDED BY CIRM, BUT THOSE
22 FUNDED BY NIH OR THE NEW YORK STEM CELL FOUNDATION
23 OR THE STATE OF MARYLAND OR WHATEVER, AND WE LOOK TO
24 HAVE THAT AS A WAY TO FUND THAT EXPENSIVE PART OF
25 THE SPECTRUM BETWEEN THE IND GRANT AWARD AND THE END

BARRISTERS' REPORTING SERVICE

1 OF PHASE II.

2 THIS IS SOMETHING THAT WE'RE GOING TO BE
3 TEST DRIVING THE NOTION VERY SHORTLY WITH SOME HIGH
4 NET WORTH DONORS WE KNOW TO BE INTERESTED IN THE
5 STEM CELL SPACE. AND BECAUSE IT WOULD BE OPEN TO
6 PROJECTS FROM ALL OVER THE COUNTRY, WE WILL GET THEM
7 FROM ALL CORNERS, BUT I'M SURE WE WILL GET MORE
8 PROJECTS APPLYING FROM CIRM THAN ANYWHERE ELSE
9 SIMPLY BECAUSE WE HAVE OVERWHELMINGLY THE MOST
10 FUNDED PROJECTS OUT THERE. IT WILL GO THROUGH A DUE
11 DILIGENCE, A RIGOROUS REVIEW WHICH WILL INCLUDE A
12 PEER REVIEW OF THE DATA ON WHERE THEY STAND AT THE
13 MOMENT JUST LIKE WE HAVE HERE AT CIRM, AND PROJECTS
14 WILL BE SELECTED THROUGH THE BEST AND BRIGHTEST
15 WHICH WILL THEN, WE HOPE, GREATLY ACCELERATE THE
16 PATH OF TRANSITION FROM PRECLINICAL INTO THE
17 CLINICAL AND HOPEFULLY TOWARDS A THERAPY OR CURE.

18 THE SECOND ITEM, WHICH, OF COURSE, WE HEAR
19 ABOUT MENTIONED IN THE PRESS FREQUENTLY, IS THE
20 FEASIBILITY OF AN ADDITIONAL BOND MEASURE. WE ARE
21 RIGHT NOW ENTIRELY CONSUMED WITH HOW TO DEPLOY THE
22 SECOND HALF OF THE FUNDING THAT WE HAVE AVAILABLE.
23 ANY SORT OF DISCUSSION OF A POTENTIAL SECOND BOND
24 MEASURE IS, ACCORDINGLY, IN OUR OPINION, PREMATURE.
25 WE HAVE MADE NO DECISIONS ABOUT WHETHER WE'RE

BARRISTERS' REPORTING SERVICE

1 LOOKING TO GO OUT FOR ONE OR NOT.

2 I WILL SAY, OF COURSE, THAT IF WE GET DOWN
3 THE ROAD TO WHERE THE TIMING IS RIGHT TO CONSIDER IT
4 AND WE FEEL THAT WE HAVE BEEN ABLE TO DEMONSTRATE A
5 COMPELLING CASE TO THE CALIFORNIA PUBLIC AS TO WHY
6 THERE SHOULD BE ADDITIONAL FUNDING IN THE FORM OF A
7 SECOND BOND MEASURE, THEN IT IS SOMETHING WE WILL
8 REVIEW, EVALUATE, AND DECIDE WHETHER OR NOT TO
9 PURSUE AT THAT TIME. BY THE WAY, CANDIDLY, I HOPE
10 THAT FOR ALL OF OUR COLLECTIVE SAKES THAT WE'RE IN A
11 POSITION WHERE WE THINK THINGS ARE REALLY SO
12 INTERESTING AND COMPELLING HERE, THAT IT WOULD MAKE
13 SENSE TO GO BACK OUT BECAUSE THE FUNDING MODEL IS
14 ONE THAT HAS CREATED THIS NEW PARADIGM AND IS
15 FUNCTIONING, WE THINK, VERY WELL RIGHT NOW IS
16 SOMETHING THAT WOULD BE GREAT, BUT ONLY IF WE CAN
17 MAKE OUR CASE. AND WE HAVE NOT DECIDED WHAT TO DO
18 AT ALL WITH RESPECT TO THAT AT THIS PARTICULAR TIME.

19 OBVIOUSLY WE'RE GOING TO CONTINUE TO
20 PURSUE AND STRENGTHEN JOINT FUNDING EFFORTS WITH
21 STATE AND INTERNATIONAL PARTNERS, THE NIH, AND
22 DISEASE FOUNDATIONS. THESE INCREASING NUMBERS OF
23 COLLABORATIVE EFFORTS CAN ONLY FURTHER ACCELERATE
24 THE PACE OF RESEARCH. SO WE WILL BE LOOKING AT
25 THOSE VERY CAREFULLY. AND AS WE'VE TALKED ABOUT

BARRISTERS' REPORTING SERVICE

1 NUMEROUS TIMES TODAY, WE'RE GOING TO CONTINUE TO
2 BUILD RELATIONSHIPS WITH INDUSTRY AND VENTURE
3 CAPITALISTS IN ORDER TO PROMOTE FOLLOW-ON FUNDING
4 FOR CIRM'S RESEARCH PROGRAMS.

5 AS ALAN HAS SUGGESTED, WE ARE SEEING THE
6 START OF MORE INTEREST BY THE BACK-END GUYS, WHICH
7 THESE ALL ARE, IN GETTING INVOLVED EARLIER TO GET A
8 POTENTIAL FOOT IN THE DOOR TO EMERGING TECHNOLOGIES,
9 TO OUTSOURCE R&D BECAUSE YOU WILL SEE ARTICLES
10 REFERRING TO NEW THOUGHT WITH BIG PHARMA, THAT
11 THEY'VE SPENT WAY TOO MUCH ON R&D IN THE LAST DECADE
12 WITH NOT ENOUGH TO SHOW FOR IT. SO THE IDEA OF
13 HOOKING UP WITH SOMEBODY THAT HAS THE ABILITY TO
14 UNDERTAKE R&D WHICH THEY COULD IN PART FUND, BUT
15 ORGANIZATIONS LIKE CIRM WERE CREATED TO DO JUST
16 THAT. IT'S POTENTIALLY A VERY STRATEGIC ALLIANCE,
17 AND WE'RE SEEING INCREASED INTEREST, AND WE'RE
18 HELPING TO SORT OF HOOK PEOPLE UP TO TRY TO
19 FACILITATE THAT VERY THOUGHT.

20 SO WE SEE THAT AS A DEVELOPING TREND THAT
21 HOPEFULLY WILL POSITION COMPANIES DOWN THE ROAD IN
22 THE EVENT CIRM IS NO LONGER AROUND.

23 SO THOSE ARE A NUMBER OF THE NOTIONS WE'VE
24 DEVELOPED WITH RESPECT TO A TRANSITION PLAN. AS I
25 SAY, THINGS ARE GOING TO HAPPEN THAT WILL INFORM

BARRISTERS' REPORTING SERVICE

1 THIS AS WE GO ALONG. THOUGH NOT MANDATED BY 1064,
2 WE WILL OBVIOUSLY PERIODICALLY EVALUATE THE
3 TRANSITION PLAN AS WE GET DOWN THE ROAD AND REVISE
4 IT ACCORDINGLY.

5 SO ANY QUESTIONS ON THAT? THANK YOU VERY
6 MUCH.

7 BY THE WAY, IF THERE ARE ANY TWEAKS TO
8 THIS PRIOR TO JANUARY 31ST, WHICH IS THE ACTUAL DATE
9 WE NEED TO HAVE IT DONE, WE'LL OBVIOUSLY FORWARD
10 THAT ALONG TOO.

11 CHAIRMAN CHIANG: ARE THERE ANY COMMENTS
12 FROM THE PUBLIC ON ITEM NO. 7? LET'S GO BACK TO
13 ITEM NO. 6. IS A REPRESENTATIVE FROM MACIAS HERE?

14 MR. ROBERTSON: GOOD AFTERNOON. MY NAME
15 IS RUSSELL ROBERTSON FROM MACIAS, GINI & O'CONNELL.
16 WE ARE THE EXTERNAL AUDIT FIRM THAT PERFORMED THIS
17 YEAR'S FINANCIAL AUDIT FOR CIRM. ACTUALLY THIS IS
18 OUR, I BELIEVE, OUR FIFTH YEAR OF DOING SO. SO IT'S
19 KIND OF EXCITING TO COME FROM THE BEGINNING UP TO
20 NOW AND HEARING ALL THE INTERESTING POINTS TODAY.
21 IT WAS PRETTY EXCITING.

22 I WANT TO THANK YOU FOR ALLOWING ME TO
23 COME AND PRESENT OUR RESULTS OF OUR FINDING FOR THE
24 END OF JUNE 30, 2011. BEFORE I GO INTO KIND OF THE
25 PRESENTATION OF THE TWO REPORTS, WHICH I BELIEVE YOU

BARRISTERS' REPORTING SERVICE

1 DO HAVE COPIES OF IN YOUR BINDER, THE INDEPENDENT
2 AUDITOR'S REPORT IS THE BIGGER OF THE TWO, AND THEN
3 YOU WILL HAVE ANOTHER REPORT TO THE ICOC AS KIND OF
4 A BY-PRODUCT OF OUR AUDIT.

5 OUR SCOPE OF WORK WAS, LIKE I MENTIONED,
6 FOR JUNE 30, 2011, AND AS A BY-PRODUCT THE OTHER
7 MANAGEMENT REPORT WAS ALSO ISSUED. AT THIS POINT,
8 JUST A GENERAL BACKGROUND OF THE TWO PARTIES'
9 RESPONSIBILITIES, OUR RESPONSIBILITY AS THE CPA FIRM
10 AND MANAGEMENT'S RESPONSIBILITY TO PREPARE THE
11 FINANCIAL STATEMENTS. OUR RESPONSIBILITY IS TO PLAN
12 AND PERFORM THE AUDIT, TO OBTAIN REASONABLE
13 ASSURANCE THAT THE FINANCIAL STATEMENTS ARE FAIRLY
14 STATED IN ALL MATERIAL RESPECT, AND THAT THOSE
15 FINANCIAL STATEMENTS ARE PRESENTED IN ACCORDANCE
16 WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

17 IN THE INDEPENDENT AUDITOR'S REPORT,
18 THERE'S ALSO A REPORT IN THE BACK. IT'S A REPORT ON
19 THE INTERNAL CONTROLS. HOWEVER, FOR THE PURPOSE OF
20 THAT REPORT, WE OBTAIN AN UNDERSTANDING AND WE GIVE
21 OUR REPORT BASED ON OUR UNDERSTANDING OF THE
22 INTERNAL CONTROLS. AND IF THERE WAS ANY
23 DEFICIENCIES OR MATERIAL WEAKNESSES IN THAT, WE
24 WOULD PRESENT THAT IN OUR REPORT. HOWEVER, WE DON'T
25 AUDIT THOSE. WE JUST GIVE -- WE GET AN

BARRISTERS' REPORTING SERVICE

1 UNDERSTANDING AND PRESENT ANYTHING THAT WE DO FIND.
2 WE DON'T GIVE ASSURANCE OVER THE INTERNAL CONTROLS
3 IN THE ORGANIZATION.

4 LIKE I SAID, ALSO OUR DUTIES AND
5 RESPONSIBILITIES ARE TO REPORT ANY SIGNIFICANT
6 DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN THOSE
7 INTERNAL CONTROLS.

8 ON THE FLIP SIDE, MANAGEMENT'S
9 RESPONSIBILITIES ARE, LIKE I MENTIONED BEFORE, ARE
10 TO PREPARE THOSE FINANCIAL STATEMENTS IN ACCORDANCE
11 WITH GAP, GENERAL ACCEPTED ACCOUNTING PRINCIPLES.
12 AND THEY'RE ALSO RESPONSIBLE TO ESTABLISH A
13 SYSTEM OF INTERNAL CONTROL, MEANING PUT IN PLACE
14 ENVIRONMENTAL CONTROL FROM TOP TO BOTTOM AND MAKE
15 SURE THAT THOSE FINANCIAL STATEMENTS THAT THEY DO
16 PREPARE ARE IN ACCORDANCE WITH GAP, AND THAT THEY'RE
17 IN COMPLIANCE WITH ANY SIGNIFICANT LAWS,
18 REGULATIONS, AND OTHER AGREEMENTS THAT THEY HAVE
19 ENTERED INTO.

20 SO AS A RESULT, WE WERE ABLE TO PERFORM
21 OUR PROCEDURES THAT WE DEVELOPED AND GATHER ENOUGH
22 EVIDENCE. AND I'M HAPPY TO SAY THAT WE ARE ABLE TO
23 PROVIDE AN UNQUALIFIED OPINION OVER THE FINANCIAL
24 STATEMENTS, WHICH IS THE HIGHEST LEVEL OF ASSURANCE.
25 SOMETIMES WHEN YOU SAY UNQUALIFIED, IT HAS KIND OF A

BARRISTERS' REPORTING SERVICE

1 NEGATIVE CONNOTATION. BUT IN THIS RESPECT IN OUR
2 PROFESSION, THAT'S A GOOD THING. SO IT'S THE
3 HIGHEST LEVEL OF ASSURANCE.

4 WE DID NOT FIND ANY MATERIAL WEAKNESSES OR
5 SIGNIFICANT DEFICIENCIES IN THE INTERNAL CONTROL AND
6 THE PREPARATION OF FINANCIAL STATEMENTS. AND FOR
7 THIS YEAR WE DIDN'T HAVE ANY MANAGEMENT COMMENTS.

8 I'LL JUST BRIEFLY GO THROUGH THE TWO
9 REPORTS. THE BIGGER OF THE TWO, LIKE I SAID, IS THE
10 INDEPENDENT AUDITOR'S REPORT. AND IN THERE I'D JUST
11 KIND OF HIGHLIGHT A COUPLE AREAS. THE MANAGEMENT
12 DISCUSSION ANALYSIS IS IMPORTANT TO READ BECAUSE
13 WHAT IT DOES IS IT GIVES YOU A CONTEXT OF THE
14 ECONOMIC ENVIRONMENT THAT CIRM WAS IN, ANY
15 SIGNIFICANT CHANGES IN REVENUE, EXPENDITURES, OR
16 ANYTHING THAT CAME UP SIGNIFICANT DURING THE YEAR.

17 AND I DO WANT TO HIGHLIGHT ONE CHANGE IN
18 ACCOUNTING PRINCIPLE THAT OCCURRED FOR THE YEAR.
19 IT'S GASB 54. AND FOR CIRM'S PERSPECTIVE, ALL THAT
20 REALLY DID IS IF YOU COMPARED THE TWO REPORTS FROM
21 LAST YEAR TO THIS YEAR, IT KIND OF CHANGES HOW FUND
22 BALANCE IN THE FINANCIAL STATEMENTS, THE
23 CATEGORIZATION OF FUND BALANCE. THAT'S ACTUALLY
24 DESCRIBED IN THIS REPORT IN NOTE 2, I BELIEVE. IT
25 KIND OF GIVES A DETAIL OF WHAT THOSE DEFINITIONS

BARRISTERS' REPORTING SERVICE

1 MEAN, WHY THEY'RE CATEGORIZED THE WAY THEY ARE. BUT
2 THAT WAS ONE AN ACCOUNTING PRINCIPLE THAT WAS
3 IMPLEMENTED BY CIRM THIS YEAR.

4 THE FINANCIAL STATEMENTS OBVIOUSLY ARE IN
5 THERE AS WELL AND IN THE NOTES IT SAYS FINANCIAL
6 STATEMENTS, WHICH I BRING THAT UP, WHEN YOU GO
7 THROUGH THESE, YOU KIND OF WANT TO READ THOSE
8 ALTOGETHER BECAUSE IT'S KIND OF A -- THE NOTES
9 PROVIDE ADDITIONAL DETAIL ON WHAT THOSE BALANCES
10 MEAN IN THE FINANCIAL STATEMENTS.

11 THE SMALLER OF THE TWO REPORTS, AS I
12 MENTIONED, IS A BY-PRODUCT OF OUR AUDIT. WE'RE
13 REQUIRED TO PROVIDE THIS ADDITIONAL REPORT. IT'S A
14 REQUIRED COMMUNICATIONS LETTER REPORT. IN THERE
15 WE'VE HIGHLIGHTED IF THERE IS ANY DISAGREEMENTS,
16 WHICH THERE WERE NONE FOR THIS YEAR. AS I
17 MENTIONED, ANY NEW ACCOUNTING PRINCIPLES, WHICH WE
18 KIND OF WENT OVER, THAT'S IN HERE AS WELL. ANY
19 DISAGREEMENTS. THERE WERE NONE.

20 AND ALSO IF THERE WAS ANY ISSUES OR AUDIT
21 DEFICIENCIES, WE WOULD HAVE MENTIONED IN THIS
22 REPORT. AS YOU CAN TELL AS WE GO THROUGH HERE,
23 THERE WERE NONE. SO OVERALL CLEAN AUDIT, PLEASURE
24 WORKING WITH THE FINANCE PEOPLE AT CIRM. OVER THE
25 FIVE YEARS WE HAVE A RELATIONSHIP BUILT AND WE KIND

BARRISTERS' REPORTING SERVICE

1 OF KNOW WHAT THE GOALS ARE TO PREPARE. AND THEY'VE
2 OBVIOUSLY PREPARED CLEAN FINANCIAL STATEMENTS AND
3 PROVIDED INFORMATION WE NEEDED TO CONDUCT OUR AUDIT.

4 SO WITH THAT, I'D LIKE TO OPEN UP WITH ANY
5 QUESTIONS OR COMMENTS.

6 CHAIRMAN CHIANG: ANY QUESTIONS? ANY
7 COMMENTS FROM CIRM STAFF? THANK YOU VERY KINDLY.
8 CAROLYN, IF YOU WANT TO PRESENT YOUR REVIEW.

9 MS. BAEZ: GOOD AFTERNOON. I'M CAROLYN
10 BAEZ, AND I'M AN AUDIT MANAGER WITH THE CONTROLLER'S
11 OFFICE, FINANCIAL AUDITS BUREAU. AND OUR BUREAU WAS
12 RESPONSIBLE FOR PERFORMING THE QUALITY CONTROL
13 REVIEW OF MACIAS, GINI & O'CONNELL'S WORKING PAPERS
14 FOR THEIR FINANCIAL AUDIT OF CIRM FOR THE 2010-11
15 YEAR.

16 THE CONTROLLER IS REQUIRED BY HEALTH AND
17 SAFETY CODE SECTION 125290 TO REVIEW THE ANNUAL
18 FINANCIAL AUDIT AND ISSUE A PUBLIC REPORT OF THAT
19 REVIEW.

20 THE OBJECTIVES OF OUR QUALITY CONTROL
21 REVIEW WERE TO DETERMINE WHETHER THE AUDIT WAS
22 CONDUCTED IN COMPLIANCE WITH GENERALLY ACCEPTED
23 AUDITING STANDARDS, GOVERNMENT AUDITING STANDARDS,
24 AND CERTAIN PROVISIONS OF THE CALIFORNIA BUSINESS
25 AND PROFESSIONS CODE.

BARRISTERS' REPORTING SERVICE

1 AS A RESULT OF OUR REVIEW, WE CONCLUDED
2 THAT THE FIRM'S AUDIT WAS PERFORMED IN ACCORDANCE
3 WITH THESE STANDARDS AND REQUIREMENTS. WE DID NOT
4 IDENTIFY ANY EXCEPTIONS. HOWEVER, WE DID ISSUE A
5 LETTER OF COMMENT TO THE FIRM, IDENTIFYING WHAT WE
6 CONSIDER ARE SOME OPPORTUNITIES FOR IMPROVEMENT IN
7 THE FIRM'S AUDIT PROCESS AND WORKING PAPERS. AND I
8 BELIEVE YOU ALSO HAVE A COPY OF THE LETTER OF
9 COMMENT AND THE FIRM'S RESPONSE TO THAT LETTER.

10 DID YOU HAVE ANY QUESTIONS?

11 CHAIRMAN CHIANG: NO. THANK YOU.

12 MS. BAEZ: THANK YOU.

13 CHAIRMAN CHIANG: ANY COMMENTS FROM THE
14 PUBLIC? WE'LL GO TO THE NEXT ITEM, CONSIDERATION OF
15 DRAFT AGENDA FOR THE NEXT MEETING. ANYBODY WANT TO
16 ADD ANYTHING?

17 MEMBER LIPSON: JUST A QUESTION. A COUPLE
18 YEARS AGO I THINK I ASKED A QUESTION OF THE NUMBER
19 OF GRANTS YOU GET, WHAT PERCENT ACTUALLY GET FUNDED.
20 AND I WANT TO ASK THAT QUESTION AGAIN.

21 DR. PLUNKETT: I HAVE THAT ACTUALLY. I'LL
22 GIVE YOU AN ANSWER IN JUST A MOMENT.

23 DR. TROUNSON: IT'S NOT A SIMPLE ANSWER,
24 SO THAT'S WHY WE NEED TO LOOK IT UP. IT DEPENDS ON
25 WHAT AREA THAT WE'RE TALKING ABOUT. WE CAN GIVE AN

BARRISTERS' REPORTING SERVICE

1 OVERALL FIGURE, BUT THERE'S A BIG VARIANCE BETWEEN
2 THE BASIC SCIENCE AND THE MORE CLINICAL AREAS. A
3 SMALLER NUMBER OF APPLICATIONS RECEIVED AT ONE END,
4 VERY LARGE NUMBER OF APPLICATIONS IN THE OTHER END.
5 SO WE CAN GET THAT FOR YOU. LET'S BE ACCURATE ABOUT
6 IT.

7 MEMBER LIPSON: I THINK LAST TIME I ASKED
8 IT WAS A VERY HIGH PERCENTAGE OF GRANTS WERE BEING
9 FUNDED.

10 DR. TROUNSON: I THINK IT'S REALLY CURVED
11 DOWN QUITE DRAMATICALLY. WE'RE THINKING IN THE CASE
12 OF BASIC BIOLOGY, WE RECEIVE OVER 350 APPLICATIONS,
13 AND I THINK WE FUND AROUND ABOUT 25 TO 30. SO
14 THAT'S AROUND 10 PERCENT, 9, 10 PERCENT.

15 AND THE OTHER IS WHAT WE DO DO, IT'S A
16 COMPLEX SYSTEM IN SOME OF THIS WHERE WE REQUEST A
17 SHORTER APPLICATION IN THE FIRST PLACE SO WE CAN
18 HAVE A PREAPPLICATION CUTDOWN. SO THERE'S A FIRST
19 CUT, IF YOU LIKE, TO THE APPLICATIONS SO THAT WE'VE
20 GOT A SMALL ENOUGH NUMBER THAT WE CAN ACTUALLY
21 REVIEW IN-DEPTH. WE TRY AND HELP THE RESEARCHERS BY
22 NOT HAVING LARGE NUMBERS AND SPEND A LOT OF TIME
23 FILLING IN DETAILED APPLICATIONS.

24 SO THERE'S A TWO-TIER PROCESS, WHICH WILL
25 TAKE THAT FROM THE 350 DOWN TO, SAY, IN THE CASE OF

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1 BASIC BIOLOGY OR TOOLS AND TECHNOLOGY, AROUND ABOUT
2 40 OR 50 OR 50 TO 60 TO BE ACTUALLY REVIEWED IN
3 DETAIL FOR THE AWARD OF A SMALLER NUMBER OF THOSE.
4 SO MAYBE HALF OF THOSE OR LESS THAN HALF OF THOSE,
5 BUT THE BIG CUT WILL COME IN THE FIRST PLACE.

6 IN THE OTHER GRANTS ON THE TRANSLATIONAL
7 SIDE, WE TRY NOT TO DO A PRECUT OF THE APPLICATIONS.
8 WE HAVE A DOUBLE REVIEW. SO WE HAVE THE FIRST
9 REVIEW AND THE GRANTS WORKING GROUP WILL THEN SORT
10 OF SAY THIS IS THE ONE-THIRD OF THEM THAT ARE WORTH
11 BRINGING FORWARD OR LESS SOMETIMES, WHICH IS THE 25
12 PERCENT OF THEM COMING FORWARD. OF THAT WE WILL
13 FUND HALF OR A THIRD OF THOSE. SO IT'S MULTIPLIED
14 BACK UP TO, RATHER, IT WOULD BE, I THINK, GENERALLY
15 IN THE ORDER OF 10 PERCENT.

16 MEMBER LIPSON: THAT'S MUCH MORE RATIONAL
17 THAN WAS DONE EARLIER.

18 DR. TROUNSON: IN THE EARLY DAYS I THINK
19 THERE WERE A SMALLER NUMBER AND A LARGER NUMBER OF
20 AWARDS, AND WE'RE PUTTING MORE PRESSURE TO HAVE A
21 SMALLER NUMBER, PARTICULARLY AT THE TRANSLATIONAL
22 CLINICAL END BECAUSE WE WANT TO SORT OF HELP USHER
23 THOSE THROUGH TO SUCCESS. AND WE'RE BETTER OFF
24 HAVING A SMALLER THAN A REALLY LARGE NUMBER WHERE IT
25 ALL GETS OVERWHELMING.

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MEMBER LI PSON: I AGREE. THANK YOU.

CHAIRMAN CHIANG: OKAY. ITEM 10. NO
ADDITIONAL ITEMS. ELEVEN, ANY PUBLIC COMMENT? NO.
12, BOARD MEMBER, ANY ADDITIONAL COMMENTS.

13, WE'RE ADJOURNED. THANK YOU VERY MUCH.

(THE MEETING WAS THEN CONCLUDED AT
12:40 P.M.)

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REPORTER'S CERTIFICATE

I, BETH C. DRAIN, A CERTIFIED SHORTHAND REPORTER IN AND FOR THE STATE OF CALIFORNIA, HEREBY CERTIFY THAT THE FOREGOING TRANSCRIPT OF THE PROCEEDINGS BEFORE THE CITIZENS FINANCIAL ACCOUNTABILITY OVERSIGHT COMMITTEE IN THE MATTER OF ITS REGULAR MEETING HELD AT THE LOCATION INDICATED BELOW

SCAG BOARD ROOM
818 W. 7TH STREET, 12TH FLOOR
LOS ANGELES, CALIFORNIA
ON
FRIDAY, JANUARY 27, 2012

WAS HELD AS HEREIN APPEARS AND THAT THIS IS THE ORIGINAL TRANSCRIPT THEREOF AND THAT THE STATEMENTS THAT APPEAR IN THIS TRANSCRIPT WERE REPORTED STENOGRAPHICALLY BY ME AND TRANSCRIBED BY ME. I ALSO CERTIFY THAT THIS TRANSCRIPT IS A TRUE AND ACCURATE RECORD OF THE PROCEEDING.



BETH C. DRAIN, CSR 7152
BARRISTER'S REPORTING SERVICE
1072 BRISTOL STREET
SUITE 100
COSTA MESA, CALIFORNIA
(714) 444-4100